UNI-SELECT

BE A PART OF IT.

2012 ANNUAL REPORT

UNI-SELECT®

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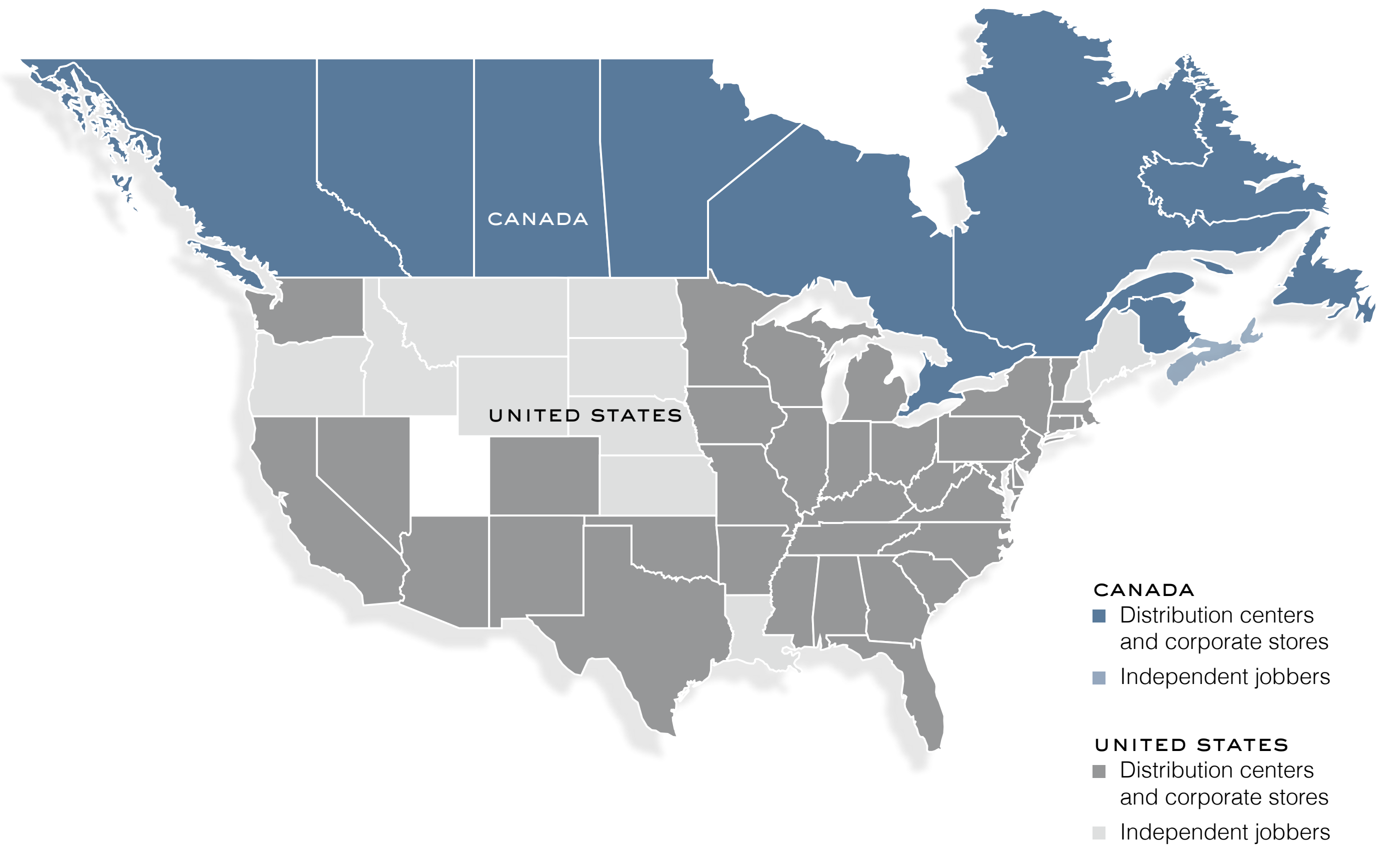
AN EXTENSIVE NETWORK.



6,100 employees in **58 distribution centers** and **450 corporate stores** working to efficiently meet the needs of an extensive network of **installers** and **independent jobbers,** of which more than **6,200 operate under Uni-Select** banners or use its support program in North America.

That means our **customers** have access to more than **2 million replacement parts** for domestic and imported vehicles, and **25,000 different** paint products and body shop accessories.

Auto Plus

Auto Parts Plus

BUMPER TO BUMPER™
Auto Parts Professionals

FINISHMASTER
Automotive & Industrial Paint

A NETWORK OF PARTNERS.

Uni-Select is the Canadian leader and North America's 6th largest distributor of replacement parts. It is also the largest independent distributor of paint products and body shop accessories and serves the most extensive network of installers and independent jobbers.

UNI-SELECT PRODUCTS

DOMESTIC AND IMPORTED REPLACEMENT PARTS

PAINT AND RELATED PRODUCTS

EQUIPMENT AND TOOLS

INDEPENDENT JOBBERS

CORPORATE STORES

REPAIR SHOPS

BODY SHOPS

NATIONAL AND REGIONAL ACCOUNTS

CONSUMERS

UNI-SELECT SERVICES

BANNER PROGRAMS
Auto-Plus®
Auto Parts Plus®
SAX
Auto Service Plus

TECHNOLOGICAL SOLUTIONS
ASPCENTRALPOINT.COM
ASPTECHCENTER.COM
TECHPROONLINE.COM
UNIFORUM.COM

INDEPENDENT JOBBERS

BODY SHOPS

REPAIR SHOPS

OUR ADDED VALUE IN **10 POINTS**

1. Financial strength
2. More than 40 years of profitability
3. Attractive return on equity
4. Good cash flow
5. Expertise in acquisition and integration
6. 25 years of continuous dividends
7. Diversified customer groups and products
8. Entrepreneurial culture
9. North American network
10. Excellent management team

OUR VISION

Be the preferred distributor in the automotive aftermarket and create value for customers, employees, suppliers and shareholders.

A NETWORK EFFICIENCY-CENTERED.

We aim to provide business solutions that promote the growth of our Corporation, our customers and our partners.

Enhance customer service

By supporting our independent jobbers, installers and body shops with successful banner programs and efficient technological programs.

Increase sales

By diversifying our distribution channels, capitalizing on sales to major accounts, and encouraging cross-selling in our different product types and the recruiting of new clients.

Optimize operations

By increasing efficiency in the distribution network, product procurement and inventory use.

Improve our operating margin

By offering products designed to meet the needs of the market, making the best possible use of our systems and reducing our costs.

Engage our people

By recognizing talent and initiative and providing employees with the best training tools.

Financial Highlights

Years ended December 31 (in M of US$, except per share amounts and percentages)

	2012	2011 (3)	2010 (3)	2009 (3)(4)	2008 (3)(4)
OPERATING RESULTS					
Sales	**1,821.2**	1,780.6	1,285.4	1,236.6	1,169.5
Variation	**2.3%**	38.5%	3.9%	5.7%	13.1%
Adjusted EBITDA from continuing operations (1)(2)	**97.7**	105.8	80.6	83.9	86.7
EBITDA from continuing operations	**90.0**	101.1	75.1	77.3	85.4
Restructuring charges, write-off of assets and others	**18.5**	3.3	–	–	–
Adjusted earnings from continuing operations (2)	**46.5**	57.8	48.5	41.9	43.9
Earnings from continuing operations	**30.0**	53.9	45.1	37.9	43.1
Net earnings	**30.0**	53.9	44.2	33.7	42.6
Free cash flow	**62.4**	66.6	43.7	54.8	36.9
Return on average shareholders' equity	**8.8%**	12.3%	12.2%	10.2%	14.0%
Return on average net assets	**6.8%**	8.4%	9.2%	8.8%	10.2%
FINANCIAL POSITION					
Working Capital	**443.1**	491.1	371.9	377.8	390.0
Total assets	**1,241.1**	1,239.2	805.5	741.1	713.8
Total net debt	**309.7**	351.8	182.0	156.2	163.8
Shareholders' equity	**484.2**	464.6	382.0	356.3	304.3
Long-term debt/shareholders' equity	**58.1%**	68.9%	46.8%	50.0%	58.5%
Total net debt/invested capital	**36.7%**	40.7%	32.3%	30.5%	35.0%
COMMON SHARE DATA					
Book value	**22.47**	21.47	19.38	18.07	15.45
Adjusted earnings related to continuing operations	**2.15**	2.67	2.46	2.13	2.23
Earnings related to continuing operations	**2.15**	2.67	2.29	1.92	2.19
Net earnings	**2.15**	2.65	2.24	1.71	2.16
Dividend (C$)	**0.52**	0.48	0.47	0.46	0.43
Number of shares issued at year end	**21,551,170**	21,636,767	19,707,637	19,716,357	19,694,358
Weighted average number of outstanding shares	**21,623,300**	21,645,664	19,716,731	19,709,642	19,724,417

(1) EBITDA represents operating profit before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on disposal of property and equipment, income taxes and net earnings attributable to non-controlling interests. For more details, see the section on "Compliance with IFRS".

(2) EBITDA, earnings from continuing operations and net earnings were adjusted to reflect expenses that the Corporation considers as non-characteristic of normal operations. These expenses are added so the measurements can be comparable. For more details, see the section on "Compliance with IFRS".

(3) The 2011 values have been restated to take into account the change in accounting method for the cost of inventory that took place in 2012 following the deployment of the enterprise resource planning system. However, as the obligation to restate the financial statement bearing only to the preceding comparative year, 2010, 2009 and 2008 have not been restated. (For further details, see Note 4 of the Consolidated Financial Statements.)

(4) The result of the years 2009 and 2008 were not restated under IFRS. (The obligation to restate the financial statement bearing only to the preceding comparative year). However, following the analysis of 2010, adjustments to earnings related to the IFRS conversion should be negligible, and therefore should not mislead the reader. (For further details, see Note 30 in the Consolidated Financial Statements fot the year ended December 31, 2011).

Richard G. Roy
President and CEO

Robert Chevrier
Chairman of the Board

MESSAGE TO SHAREHOLDERS

In 2012, as the downturn of the economy persisted and the automotive aftermarket remained challenged, Uni-Select proceeded, on schedule, to implement its enterprise resource planning system. This environment adversely impacted UNI-SELECT's net income.

Despite this environment, Uni-Select increased its sales, tabled a new strategic plan targeted on efficiency and profitability, and put forward a rigorous plan to optimize its network.

Uni-Select largely completed the implementation of its enterprise resource planning system, carrying out four implementation waves throughout the year. The challenges posed by the implementation of the enterprise resource planning software in addition to having incurred double IT cost due to the two systems operating, have had a negative impact on the results of the fiscal year. Stability problems were resolved in the first quarter of 2013 but we expect lingering effects during the first half of 2013. Over 30 warehouses and 190 stores have been converted from their various legacy operating and accounting systems to a modern platform.

FinishMaster, Uni-Select's subsidiary involved in industrial and automotive paints, coatings and related accessories in the US, delivered remarkable results. The integration of the FinishMaster's operations, along with that of the assets acquired in Florida at the end of 2011, continued in 2012 and the Corporation achieved the projected synergies. Sales of Beck/Arnley® products for foreign nameplate vehicles also increased.

Uni-Select diligently pursued its expense and debt reduction objectives; total net indebtedness decreased by over $42 million through, among other initiatives, a $48 million reduction in working capital when compared to the 2011 levels.

Uni-Select remains the 6th largest distributor of replacement parts and the largest distributor of automotive paints, coatings and related accessories in North America.

Uni-Select is committed to increasing its profitability and efficiency. The Corporation's greatest asset is its network of customers, partners, employees and shareholders who, like us, are proud to be part of the Uni-Select team.

We will move forward. We have a vibrant network. Come and be a part of it!

The 2012 economic climate

Auto parts distributors experienced a difficult year in 2012. Those operating in the Northeastern States and in Canada, including Uni-Select, were more significantly affected. After a favorable first quarter, the overall slowdown in the US, high unemployment levels and gas prices affected the automotive parts aftermarket. Mild weather led to fewer mechanical failures and, in the last quarter, Hurricane Sandy struck the Northeastern United States, dampening the region's economic activity. These factors decreased traffic in service bays, as consumers postponed repairs and put off preventative maintenance.

The auto parts market

The variables of the aftermarket remain relatively stable. However, certain factors suggest a recovery is on the horizon.

- The average age of vehicles, specifically cars and light trucks, continues to rise, reaching 11.3 years in 2012 compared with 10 years in 2008.
- The «Do it for me» (DIFM) market continues to grow, and now represents more than 67.5% of sales in the aftermarket distribution sector.
- This year's decrease in preventative repairs points to an upswing in activity in the near future, with reports of recent years indicating that deferred maintenance cannot be postponed indefinitely.
- Overall forecasts for the automotive aftermarket remain encouraging, with the Automotive Aftermarket Industry Association predicting an annualized growth rate of 3.5% from 2012 to 2015.

The revised management structure gives managers additional authority and improves their ability to respond timely to events, which is expected to improve customer service and generate results more in line with Uni-Select's strategic objectives.

Proactive management to improve results

Unusual economic conditions, combined with the challenges of implementing the enterprise resource planning system, resulted in Uni-Select posting lower net earnings in 2012 compared with those of the previous year, despite a growth in sales.

For the financial year ending December 31, 2012, sales reached $1,821 million compared with $1,781 million in 2011. The adjusted EBITDA was $97.7 million compared with $105.8 million in the previous fiscal year. Net earnings totaled $30.0 million compared with $53.9 million one year earlier. The lower net earnings are further impacted by a one-time, after-tax charge of $11.5 million that was required to cover the costs of implementing the distribution network consolidation plan, as well as other non-recurring items.

Beginning in the second quarter, the Corporation took measures to counter the temporary slowdown by way of a plan to optimize its network; the operational structure was redesigned to bring it in line with market conditions, expenses were reduced and the administrative structure was somewhat consolidated to further reduce the Corporation's annual operating costs. Significant cost savings in the amount of $8 million in 2012, or more than $20 million annually were achieved.

The revised management structure gives managers additional authority and improves their ability to respond timely to events, which is expected to improve customer service and generate results more in line with Uni-Select's strategic objectives. Gary O'Connor and William Alexander were respectively appointed President and Chief Operating Officer of the Canadian and USA Automotive operations, while Steven Arndt stepped into the role of President and Chief Operating Officer of FinishMaster in December 2012 and Denis Mathieu was appointed Executive Vice President, Corporate Services and Chief Financial Officer. Regional management has started refocusing its objectives with well-defined responsibilities directed at improving customer service levels, sales and profit margins.

A strategic plan focused on efficiency and profitability

During the last fiscal year, Uni-Select also launched its 2012-2015 strategic plan, based on a systematic study of efficiency and productivity, also focused on customer service. The strategic plan is built around five objectives:

1. Enhance customer service.

The quality of customer service is crucial to grow the sales volume of existing customers and to recruit new customers. Our objective is to achieve the highest service rating possible wherever we operate. We must improve product accessibility. Constant and consistent monitoring of the quality and quantity of inventory will ensure we deliver the right part to the right place, at the right time and at the right price.

Our goal of improved customer service also applies to the design of our support programs, promotions and marketing tools. We have evaluated the customer support programs offered to independent jobbers, installers, bodyshop owners and major account operators, retaining and improving those that are most likely to increase our customers' loyalty and grow their sales. We are building on our expertise and ability to deliver proven and efficient programs. These include technical support tools, which are among our key strengths: they are appreciated by customers as business solutions that have the ability to improve the efficiency of their inventory management as they provide visibility over parts availability from various warehouses to jobbers or installers.

2. Increase sales.

Increase in sales remains a priority and organic growth will stem from the diversification of our distribution channels. We will seek to increase our major account sales both national and regional, recruit new customers and improve our direct-shipment programs. Regardless of the distribution channel, our priority is to create a supply system to deliver products tailored to the specific market needs of each region. The seemingly conflicting needs of the market dictate that we offer replacement parts to service an increasingly aging fleet, while we must also have the ability to deliver products for newer models to collision repair centers.

During the last fiscal year, Uni-Select launched its 2012-2015 strategic plan, based on a systematic study of efficiency and productivity, also focused on customer service.

We will also pursue cross-selling initiatives between our replacement parts network and FinishMaster's coatings, paint and accessories distribution network. Pilot projects initiated in 2012 produced encouraging results, warranting more of these initiatives.

In Canada, Carrossier ProColor and CSN Collision and Glass came to an agreement in principle at the end of 2012 to create a nationwide network of bodyshops that will include 270 outlets from the Atlantic coast to British Columbia. This partnership will offer the kind of nationwide coverage that is attractive to insurance companies. Each network is expected to enjoy improved access to resources, mutually benefitting each party.

Organic growth also leads to an increased awareness of the Corporation's brands and trademarks. Uni-Select has continued to increase the visibility it benefits from its sponsorship of NHRA races. These promotional activities help boost customer loyalty which, in turn, leads to increased sales for Uni-Select.

Our acquisitions clearly result in an increase in sales. We strive to adhere to a set of strict criteria when considering an acquisition. Targets must exhibit the potential to deliver a significant contribution to the Corporation's profitability in the year of the transaction. Overall, we seek opportunities that will create value through the addition of qualified personnel, operational synergies, an improvement in purchasing conditions, consolidation of our presence in regions where we have operations and incremental gains from our administrative or marketing resources.

3. Optimize operations.
In a competitive market, distributors must be low-cost operators to maintain profitability. Uni-Select has undertaken an extensive review of its distribution network, from the size and location of its distribution centers to delivery routes to optimizing its ability to deliver the right parts, at the right time, at the lowest cost. We must also ensure that we procure supplies from manufacturers at the lowest acquisition cost. Our goal is to optimize inventory investments, improve purchasing conditions and diversify supply sources, while improving customer service. We have also examined our customers' locations and have begun to reassign them to those distribution centers best suited to serve them efficiently. These actions will achieve our goal of shortened delivery timeframes. We are also re-examining the level of activity of distribution centers converting some to store operations, and combining the activities of others where warranted.

4. Improve operating margin.
This strategic pillar is crucial to increasing our profitability. To reach our goals, we must tighten cost controls and carefully manage gross margin. We have reviewed every aspect of our organization, including supplies, inventory, and asset consolidation, and examined our operational and financial costs. Our priority is to procure supplies at the best prices while guaranteeing our customers the best products and eliminating inefficiencies. We will use the information provided by our enterprise resource planning system to follow trends with greater precision, and we will develop pricing policies and tools to boost our customers' sales volume. The new wealth of information available will allow us to adjust our prices according to demand and react with greater speed to remain competitive. In addition, we will pursue the roll-out of Beck/Arnley® parts for imported vehicles, as this segment is expanding and continues to drive growth.

5. Foster employee engagement.
Employees are key to the success of Uni-Select. Our human resource practices must foster loyalty and engagement. We intend to hire the best available talent who are well-integrated in the team. Our deeply-held values of autonomy and partnership are reflected in our recognition programs and our many opportunities for employee growth. We communicate our objectives and strategies at every opportunity. We believe that training for change is an important element of success, and we endeavour to provide our employees with the tools they need to thrive in an increasingly competitive environment. We seek to identify and develop leaders within our organization and create the right conditions for them to exercise their talents.

From left to right: Denis Mathieu, Executive Vice President, Corporate Services and Chief Financial Officer; Steven Arndt, President and Chief Operating Officer, FinishMaster, Inc.; Gary O'Connor, President and Chief Operating Officer, Automotive Canada; and William E. Alexander, President and Chief Operating Officer, Automotive USA.

Priorities for 2013

Our priorities for 2013 are firmly oriented toward increasing profitability.

Our priorities include:

- Finalizing the implementation of our network optimization and continuing expense reduction plan;
- Reducing debt through management of working capital;
- Intensifying efforts to recruit independent jobbers and installers under a Uni-Select banner;
- Improving synergies between FinishMaster and Uni-Select and accelerating the cross-selling of their respective products to installers and collision repair centers.

Uni-Select will continue to be the solution of choice for independent jobbers in North America. This is how we set ourselves apart from the competition. We will continue to offer jobbers marketing and sales programs that contribute to the success of their business.

In our distribution centers and throughout our 450 stores, we will continue to focus on increasing productivity while developing ways to better connect with our customers. In this area, our technical support programs are vital for the growth of our sales figures.

In 2013, we will complete the roll-out of our enterprise resource planning system with the final wave of implementation. Our programs of training for change will help our employees master the new system and we will encourage them to share information with our customers that will facilitate the latter's understanding of the new tools.

Our values, a driving force of excellence

In our daily activities as in our long-term objectives, we remain guided by business values centered on the satisfaction and development of our customers, employees, suppliers, shareholders and the communities in which we operate.

Always provide competitive solutions for members and customers

Uni-Select became a key player by putting the success of its customers first. We are committed to providing our entire network of independent jobbers, installers and bodyshop owners with superior marketing and sales programs together with the best products available. We will continue to offer our customers flexible solutions, fostering their entrepreneurial spirit while providing them with tools to help them stay competitive.

Provide a stimulating working environment
We strive to create a working environment that will bring out the best potential of our employees. We encourage them to develop their talents with training programs and talent management tools that promote their growth. Our recognition programs motivate employees to invest themselves in initiatives that deliver favorable results for the entire Corporation. Lastly, we make sure to communicate our Corporation's values and objectives to our entire team.

Establish winning relationships with suppliers
We must constantly seek to improve business conditions for all our supply chain partners, because when they succeed, we succeed. Our ability to offer competitive solutions hinges on establishing winning relationships with our suppliers. This will improve the supply chain's competitiveness and enhance the success of each cog of the chain.

Achieve, for our shareholders, a return on invested capital that exceeds the industry average
Our pursuit of winning partnerships and our desire to see the growth and success of our business partners also applies to our shareholders. We endeavour to offer them a return on investment that exceeds the industry average through rigorous cost and asset management. In addition, as we focus on our growth objectives, we will carry out our activities under efficient, respectful and transparent governance guidelines.

Be a respectful corporate citizen
We are mindful of our responsibility as a corporate citizen to contribute to the development of the communities in which we operate. We recognize that our success depends on their vitality and we are pleased to play a role in promoting their local objectives. We support organizations in our communities while operating in an environmentally sustainable way.

A team of partners
We are proud of our employees and grateful for their dedication and loyalty. Each employee is a link in the chain of our success. In the past year, they have again demonstrated their commitment and dedication as we rolled out our enterprise resource planning system.

It also gives us great pleasure to thank our customers, suppliers and partners for their support over the past year. We renew our pledge to do our best to offer them the finest services and tools to support their growth.

To our shareholders, we once again express our gratitude. They continue to support and place their trust in us. We will take every step necessary to return profits to the levels they have come to expect.

Lastly, we salute our Board of Directors—returning members as well as those who have recently joined us. We are confident that this Board will provide sound guidance as we move forward with our plans.

Together, we will continue to build an efficient and dynamic network for the benefit of all. Our extensive network of partners is efficiency-centered. Be a part of it!

Robert Chevrier
Chairman of the Board

Richard G. Roy
President and CEO

MANAGEMENT REPORT

During the fiscal year, Uni-Select established a distribution network consolidation plan (“optimization plan”) which also includes a revision of the operational structure and the reduction of administrative expenses. The plan provides for a reduction of the Corporation’s fixed costs by consolidating and optimizing the distribution network while reducing its working capital requirements.

Uni-Select posted sales of $1.821 billion during the year, an increase of 2.3% compared with $1.781 billion in 2011; the contribution from acquisitions was largely offset by a contraction in organic sales growth. Challenging economic conditions, primarily in the Northeastern United States and Eastern Canada, affected the automotive aftermarket. Adjusted EBITDA stood at $97.7 million, down 7.6% from 2011. The decrease is the result of lower sales not entirely offset by semi-variable expenses. Net earnings for the year were $30 million and include restructuring charges, write-off of assets and other expenses in the amount of $11.5 million ($18.5 million before income taxes). The Corporation reduced its total net debt by $42 million during the year.

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PRELIMINARY COMMENTS TO THE MANAGEMENT REPORT

Basis of presentation of the management report

This management report discusses the Corporation's operating results and cash flows for the period ended December 31, 2012 compared with those of the period ended December 31, 2011, as well as its financial position at December 31, 2012 compared with its financial position at December 31, 2011. This report should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in the 2012 Annual Report. The information contained in this management report takes into account all major events that occurred up to February 28, 2013, the date at which the financial statements and management report were approved by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

Additional information on Uni-Select, including the audited Consolidated Financial Statements and the Corporation's Annual Information Form, is available on the SEDAR website at www.sedar.com.

In this Management Report, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc., its subsidiaries, divisions and joint ventures. "Beck/Arnley" designates Beck/Arnley® and "FinishMaster" designates FinishMaster®, both of which are wholly-owned subsidiaries.

Unless otherwise indicated, all financial data presented in this Management Report, including the amounts in the tables, are expressed in thousands of US dollars. Comparisons are presented in relation to the comparable periods of the prior year.

The financial statements contained in the present Management Report were prepared in accordance with International Financial Reporting Standards (IFRS). Only the twelve month period financial reports have been audited by the Corporation's external auditors.

Forward-looking statements

The Management Report is intended to assist investors in understanding the nature and importance of the results and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position.

Certain sections of this Management Report contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

These forward-looking statements are subject to a number of risks and uncertainties. Accordingly, actual results could differ materially from those indicated or underlying these forward-looking statements. The major factors that may lead to a material difference between the Corporation's actual results and the projections or expectations expressed in these forward-looking statements are described in the "Risk Management" section of this Management Report. The Corporation's results may also be affected by the competitive environment; consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

There can be no assurance as to the realization of the results, performance or achievements expressed or implied by forward-looking statements. Unless required to do so pursuant to applicable securities legislation, Management assumes no obligation as to the updating or revision of forward-looking statements as a result of new information, future events or other changes.

Compliance with IFRS

The information included in this report contains certain measures that are consistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other entities. The Corporation is of the view that users of its Management Report may analyze its results based on these measurements. (Details in section "Compliance with IFRS")

"I strive to do my job as **best as I can** and in a **timely manner. The satisfaction of our customers** is very important to me."

Josée Boulanger, Distribution center, Boucherville, Québec

PROFILE AND DESCRIPTION

A major player in the automotive aftermarket

Founded in 1968, Uni-Select is a leading North American distributor of replacement parts, paint and related products through a network of independent distributors and corporate stores in Canada and the United States.

Leader in the Canadian market, Uni-Select ranks 6th among distributors in North America. It is also the largest independent distributor of paint and related products through its FinishMaster subsidiary.

Uni-Select provides numerous essential services and products to its customers. The Corporation offers a range of parts and equipment for domestic vehicles as well as tools. It also offers parts for foreign nameplate vehicles, primarily through its Beck/Arnley® product line.

With its 6,100 employees, the Corporation serves three groups of customers: independent jobbers and national and regional accounts, to which it supplies automotive parts and accessories through its distribution centers; installers and body shops, to which it provides the same products from its corporate stores; and consumers.

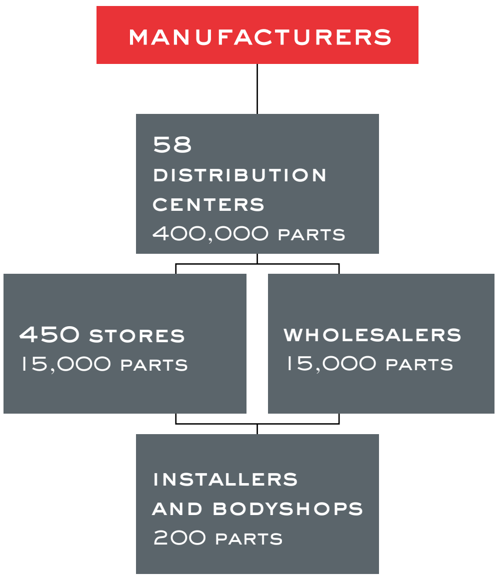
Uni-Select has 58 distribution centers and 450 corporate stores. It forms one of the largest networks of independent jobbers of automotive parts and related accessories, serving over 3,200 wholesalers. More than 1,200 independent jobbers operate under one of the Uni-Select banner programs. Uni-Select provides service both through the jobbers and directly to tens of thousands of repair and body shops, over 5,000 of which use its support programs.

Uni-Select has sales of $1.821 billion: 71% of its revenues originates in the United States and 29% in Canada.

A North American presence

Uni-Select has a distribution network with a presence all across Canada and the lower 48 States. The Corporation is positioned to deliver all products essential for meeting the needs of its jobber, installer and body shop customers quickly and efficiently. The Corporation has built this network over the years through a policy of targeted acquisitions designed to promote corporate expansion, which has accelerated markedly in the United States in the past decade.

Beck/Arnley® offers a range of parts as well as a complete line of fluids and oils for foreign nameplate vehicles.



A critical link in the supply chain

The Corporation plays a critical role by linking producers of automotive parts to jobbers, installers and body shops. With access to nearly two million automotive parts and accessories, Uni-Select provides effective management of the supply chain, maintaining a constant inventory of nearly 400,000 different parts to meet its customers' needs.

Business solutions tailored to customer needs

Uni-Select offers its customers recognized, high-quality national brand-name products, from parts for domestic and imported vehicles to recognized brands of paint and related products. Its expertise as a supplier stems from its extensive market knowledge and is backed by a network of distribution centers spread across Canada and the United States. Uni-Select's customers purchase directly from suppliers or from Uni-Select's warehouses and corporate stores.

Competitive advantages

Recognizing that all of its customers are profit-oriented, Uni-Select works in partnership with them to ensure their success. The Corporation offers menu-based services that allow customers to pay for the desired programs and services to meet their development and growth objectives, whether through one of its banner programs or through inventory and order management systems. In addition, Uni-Select offers training programs and tools for technicians, as well as support to facilitate business ownership transfers when required.

A greater presence in the paint and related products sector

Uni-Select is the leader in the paint and related products sector in North America.

The post-collision repair sector has undergone significant change and a number of factors come into play in this market. There has been a significant decline in collisions due to technological advances and vehicle safety laws. The paint and related products sector is undergoing consolidation in both Canada and the United States, and there is a growing trend among insurers to favor body shop networks. Given its Canadian expertise and the relationship it has built with Canadian insurers, Uni-Select stands out as a consolidator of choice.

In Canada, an agreement in principle was signed in late 2012 that will give rise to a national partnership between Carrossier ProColor and Collision Solutions Network (CSN). Under the agreement, a broader network will be created in Canada, with over 270 shops, among which the 142 Carrossier ProColor shops in Québec and the 132 CSN shops across Canada: 28 in the Atlantic Provinces, 69 in Ontario, 14 in Alberta and 21 in British Columbia.

A full range of equipment and tools for shops

Uni-Select can supply repair and body shops with the equipment and tools needed for their business. A specialist will advise installers on the choice of equipment. This market accounts for 4.3% of all automotive aftermarket sales, or close to $10 billion. The market is expected to record sustained growth in the next few years.

ECONOMIC CONDITIONS

From an economic standpoint, 2012 was characterized by a constant slowdown in the North American economy, particularly in the Northeast, where our operations are concentrated. The employment situation in the United States has narrowly improved, resulting in a decline in disposable income for consumers and consequently reduced spending on repairs. Sustained gas prices and weather conditions in the Northeastern United States did not foster mechanical breakdowns. Lastly, the region suffered the effects of Hurricane Sandy late in the year. As a result, installer service bays reported declines in activity, as consumers delayed repairs and preventive maintenance.

Nevertheless, the aftermarket remains relatively recession-proof and current forecasts indicate an annualized growth rate of 3.5% for 2012 to 2015 inclusively.

The automotive aftermarket

Employing nearly four million people across North America, the automotive aftermarket recorded over $250 billion in sales in 2012. Distribution of replacement parts and paint and related products represents a market of close to $100 billion.

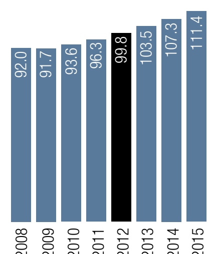
Replacement parts account for 85% of the aftermarket sales volume, which is broken down into three segments: professional installers (DIFM or Do It for Me), consumers (DIY or Do It Yourself) and dealerships. Its business is largely consolidated in Canada, whereas in the United States the market is marked by regional and national consolidation efforts.
Body shops represent approximately 15% of the aftermarket. The post-collision repairs market is also restructuring and is affected by the declining number of repair shops and the trend among insurers to select networks of repair and body shops with multiple locations rather than independent shop operators.

Number of vehicles on the road

The total number of vehicles on the road in North America has been relatively stable in recent years, at 263 million vehicles. Despite a decline in new vehicle sales over the last years, the number of vehicles on the road has remained steady because of the increased longevity of vehicles. With its increased durability, the automotive fleet is therefore ageing, which favors the automotive aftermarket.

The ageing population, the increased sophistication of vehicles and the growing number of imported vehicles foster growth in the DIFM segment, compared with the DIY segment. The DIFM market is expected to grow 3.67% until 2015. This segment accounts for 67.5% of the market's sales volume.

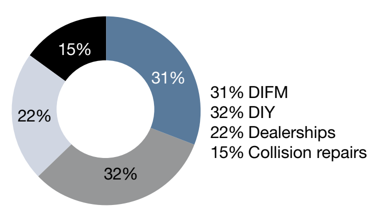
SIZE OF THE AFTERMARKET



* At distributor price, excluding labor and tires

Source: AAIA Digital Automotive Aftermarket Factbook 2013 and AIA 2012 Outlook Study

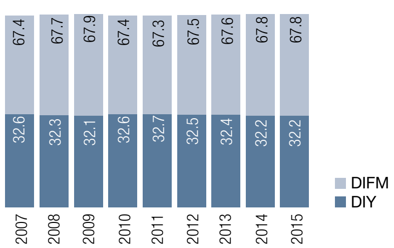
AFTERMARKET BREAKDOWN



* At distributor price, excluding labor and tires

Source: AAIA Digital Automotive Aftermarket Factbook 2013 and AIA 2012 Outlook Study

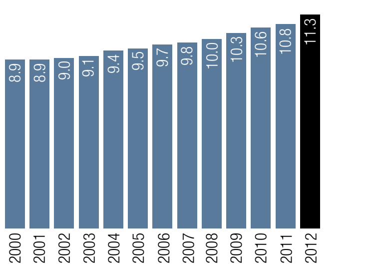
AFTERMARKET SEGMENTATION BETWEEN DIFM AND DIY
(in percentage)



* At distributor price, excluding labor and tires

Source: AAIA Digital Automotive Aftermarket Factbook 2013 and AIA 2012 Outlook Study

AVERAGE AGE OF VEHICLES



Source: R.L. Polk & Co.

Vehicle age, distance travelled and repair rates

There is a direct link between vehicle age, distance travelled and vehicle repair rates. In 2012, average vehicle age rose to 11.3 years, whereas the distance travelled did not increase. The increase in the number of vehicles over five years old, and thus not covered by dealership warranties, is favorable for the automotive aftermarket. This trend towards longer vehicle lifespan is expected to continue over the next few years.

An established and growing market

The North American automotive aftermarket is thus a stable market that is expected to remain strong in coming years. Although the market is characterized by consolidation in Canada, there are still a few opportunities for acquisitions. The market in the United States, on the other hand, remains highly fragmented, with substantial opportunities for growth through acquisition of independent distributor networks.

Uni-Select is a major player in this market and is focusing its activities on commercial sales to independent jobbers, repair and body shops.

"Uni-Select's programs and services really **make a difference.** We feel **supported in our growth.** We are **true business** partners."

Yannick Fontaine, Pièces d'auto O. Fontaine, Sainte-Julie, Québec

2012 OPERATIONAL REVIEW

Snellville, Georgia

Customer service at the heart of our business

Customer service at Uni-Select is focused on delivering the highest level of fill rate possible and the largest number of replacement parts available to its network. In 2012, we emphasized quality and quantity of inventory to respond as effectively as possible to the demand of the markets we serve.

Our customer service is also reliant on our ability to provide our customers with business solutions that promote loyalty and increase their business volume with us.

To do this, Uni-Select develops banner programs that stand out from those of the competition for their flexibility and relevance. Our main banners, Auto-Plus® and Auto Parts Plus®, for our independent jobbers, and Auto Service Plus for installers have all been analyzed with a view to increase their effectiveness and promoting their advantages. We have increased the benefits of joining these banner programs for our customers, by providing access to electronic catalogues, modelling and parts warranties. Our accomplishments include the launch of a new banner in Canada for installers, development of a digital communications strategy and training and coaching initiatives.

In a customer satisfaction survey completed in 2012, we asked our customers to evaluate our banner programs. Over half of our Auto-Plus members and over 85% of our banner installers using our programs reported that they were satisfied.

Alongside our banner programs, the technological support tools that we have developed are business solutions that can improve service. Uni-Select pays particular attention to these tools, which provide technicians and installers with the quick information they need to do repairs. Among other things, we have perfected our ASPtechcenter.com tool, which provides more complete online training than provided in the past. In 2012, we trained over 5,000 technicians, all of whom feel that these tools help them in their daily work.
The above-mentioned survey also indicated that our customers feel a significant need for information. With that in mind, Uni-Select launched the Uni-Scoop newsletter in 2012, which gives our jobbers up-to-date information on marketing tools, current promotions and relevant and instructive industry data—all with a view to training and educating our customers. Lastly, we launched the ASPcentralpoint.com portal as an electronic platform for online purchasing.

Sales linked to our customers' success

In 2012, Uni-Select continued to recruit independent jobbers and installers to the Auto-Plus and Auto Service Plus banners respectively and plans to maintain this strategy for the next few years. Higher licensee numbers are responsible for an increase in sales volume linked to this loyalty program, which helped increase our critical mass across North America. In 2012, in addition to the 900 stores currently operating under the Auto-Plus banner in the United States, we recruited some 600 new customers, either jobbers opting for our Auto-Plus or Auto Parts Plus banner or installers joining the Auto Service Plus program.

In addition to its network of independent jobbers, Uni-Select also provides access to its products through its network of 450 corporate stores. The network comprises two store models, the first entirely dedicated to commercial sales and the other serving both installers and consumers. Thus, to better meet market demands, we converted 13 stores to the dual-vocation model in 2012.

Regardless of the type of store, all offer the following advantages: a select inventory due to the quality of our domestic and imported product range, optimum delivery due to the strength of Uni-Select's distribution network, a professional sales force that can provide proper customer advice at the counter or through our call centers, as well as technical and promotional support programs, such as Auto Service Plus® and SelectAutoXpert (SAX).

In 2012, we opened four new stores and acquired six others, including two specializing in distribution of paint and related products. We also merged five FinishMaster stores with Auto-Plus stores.

FinishMaster had an excellent year in 2012, with strong organic growth and the addition of 365 new customers. We also set up pilot projects to promote the one-stop shop concept, with cross-selling of replacement parts, paint and related accessories from the same store.

Launched in three regions, the pilot projects recorded results encouraging us to pursue the cross-sales model.

Our Beck/Arnley products for foreign nameplate vehicles were also successful in 2012. We expanded this competitive line of high-quality products—which offer the appearance, performance and ease of installation of original parts—to the entire network, particularly in the most promising categories. The results of the launch are positive, with sales of Beck/Arnley products growing 49% in 2012. Beck/Arnley is a well-recognized brand, receiving six awards from the Auto International Association and the Automotive Communication Council for its 2012 marketing initiatives.

In the area of delivery to our customers, we continue to offer direct shipping to jobbers to enable them to remain competitive and benefit from our purchasing power. Our direct shipment sales to independent jobbers in the United States account for 17.2% of sales.

Uni-Select is also focused on its image, engaging in promotional activities designed to retain existing customers and attract new ones. In 2012, we extended our sponsorship of NHRA drag racing and were present at 10 events in 10 different locations. These promotional activities enabled us to reach over 4,000 customers.

A network with optimized performance

In 2012, Uni-Select initiated a plan to optimize its network. The plan involves a complete overhaul of inventory, supply sources, delivery routes and personnel. We reduced our inventory by $33 million in 2012 by reducing the quantity of products with lower-frequency sales and eliminating duplication of identical product lines without impacting our agility and efficiency.

We analyzed our delivery routes based on the geographical location of our distribution centers and in 2012 closed 24 stores and consolidated others. We also reduced the number of our warehouses from 64 to 58. We reassigned customers to distribution centers to optimize services. And finally, we continued to capitalize on the synergies expected for the FinishMaster acquisition in January 2011 and completed the integration of the assets acquired in Florida.

Systems at the service of performance

Optimization of our network is also a function of effective use of management systems to improve our profitability. Since 2010, Uni-Select has invested in an enterprise resource planning software that can facilitate management of all aspects of the organization, from financial management to inventory, order and procurement management at warehouses and stores.

In 2012, Uni-Select accelerated the deployment of its system with four roll-out waves throughout the year. We are already seeing the benefits stemming from greater visibility

Uni-Select develops banner programs that stand out from those of the competition for their flexibility and relevance.

Auto-Plus® and Auto Service Plus

Higher licensee numbers are responsible for an increase in sales volume linked to this loyalty program, which helped increase our critical mass across North America.

Recipients of performance awards and President's Awards, April 2012

of our available inventory, which enables our customers to meet their supply needs from all across the network. We believe that judicious use of the system's information will help us better control our product acquisition, operations and asset management costs, once roll-out is complete. The system also generates substantial synergies, because it can provide a quicker snapshot of our financial position in real time, facilitate integration of acquisitions and foster access to information for warehouse and store customers. We will therefore be more agile to adjust our prices according to demand and quickly react to trends and needs in our various markets.

Deployment of the enterprise resource planning software has substantially changed our personnel's work habits and considerable efforts were deployed to manage the change. As expected, we noted a decline in productivity during the year. However, we believe that the long-term benefits, particularly in terms of return on assets, will largely offset this temporary decline.

We have also implemented a policy of improving store profitability, paying specific attention to reducing inventory, strictly controlling expenses, recruiting banner customers and increasing accessibility of current products. In 2012, 91 stores optimized their operations after modelling their inventory.

Every employee, a link in the success chain

Uni-Select relies on its employees for its success. Our human resources practices are designed to promote employee engagement. This is reflected in the fact that we hire talented people, we optimize their integration in the team and provide them opportunities for growth that recognize their value and allow them to be efficient.

With that in mind, we continued the Value Creator acknowledgement program introduced in 2009. Designed to highlight the contribution of employees who perform well, the program underscores the values that form Uni-Select's entrepreneurial culture, namely innovation, excellence, engagement and a sense of partnership. Uni-Select's nearly 6,100 employees share those values and convey them at every level of the organization.

We also created Uni-Select recognition awards, including performance awards that reward managers of highly successful teams and the President's Awards, which recognize outstanding managers.

In a climate of transition to new technological tools, we believe that supporting our employees in managing change allows them to adopt new work habits that help them rise to challenges. We strive to give our employees the tools they need to be more efficient in a competitive environment. We have continued the Build-A-Car workshops, which replicate the supply chain in order to train our employees for change. The workshop won the bronze prize for innovation in change management from the *Mouvement québécois de la qualité.* The group learning format of the workshop gives employees an understanding of the Corporation's objectives, enables them to measure the future benefits of the new system and follow the steps required for implementation. It also reassures all participants about the merits of introducing the enterprise resource planning system. The Build-A-Car activity has known a resounding success among managers and employees alike. All of the vehicles assembled at the workshops have been donated to charitable organizations that assist children in the regions in which Uni-Select has operations. To date, 75 model cars have been given to such agencies and at the end of the program Uni-Select will have distributed over 100 of them across Canada and the United States.

Preparing for succession is also a priority. Leadership programs, just like talent management programs, are designed to pinpoint talent and identify individuals with high potential for development and are at the heart of our human resource activities. We give university students the opportunity to intern at our Corporation, which is as beneficial to them in terms of knowledge transfer as it is to us in terms of talent scouting.

28th Annual Auto-Plus® NHRA Nationals, Reading, Pennsylvania

Finally, we have improved our communications tools and increased our opportunities to communicate with our employees in order to engage them in striving to meet the Corporation's objectives. The President and Chief Executive Officer communicates with the employees on a quarterly basis to promote our values and present ongoing accomplishments. We are placing a priority on more ad hoc information sharing and we promote the new strategic plan among all employees.

Part of the community

Uni-Select is mindful of its responsibility as a corporate citizen to contribute to the development of the communities in which it operates. We played a large part in the Red Cross' North American campaign to bring emergency assistance to those affected by Hurricane Sandy in the Eastern United States.

We are also involved in the United Way, both in Canada and the United States, the *Club des petits déjeuners du Québec* and Teach for America campaigns. For a number of years, Uni-Select has faithfully supported the Mira Foundation's activities in Canada and the United States. We also continued our commitment to the Heart & Stroke Foundation by chairing the 10th annual *Banquet du cœur.* Thanks to the generosity of its employees and corporate donations, Uni-Select supports annually various organizations across North America.

Uni-Select is concerned with sustainable development and environmental issues. The very nature of the automotive aftermarket is to supply replacement parts that can keep vehicles operating longer, more cleanly and more efficiently. Our market thus helps increase the useful life of vehicles and reduce the inherent cost of producing and selling new vehicles.

Uni-Select has joined forces with Hydro-Québec on a program to evaluate a fully electric vehicle. The program involves the use of electric vehicles for daily activities. Uni-Select also subscribes to our industry's programs for recycling materials, such as used oil, filters, liquid refrigerant and batteries.

Uni-Select is mindful of its responsibility as a corporate citizen to contribute to the development of the communities in which it operates.

Build-A-Car activity

To date, 75 model cars have been given to such agencies and at the end of the program Uni-Select will have distributed over 100 of them across Canada and the United States.

“I know the products I prepare for our customers truly meet their needs. **It is rewarding** to work in a company **caring that much about its customers.**”

Vicente Aceves, FinishMaster Branch, Cathedral City, California

HIGHLIGHTS OF LAST THREE YEARS

Selected consolidated information

(related to continuing operations)

Years ended December 31 (in thousands of $US, except per share amounts)	2012	2011(2)	2010(2)
OPERATING RESULTS			
Sales			
United States	**1,300,991**	1,242,279	781,836
Canada	**520,182**	538,291	503,539
	1,821,173	1,780,570	1,285,375
Adjusted EBITDA (1)	**97,715**	105,760	80,619
EBITDA	**90,010**	101,094	75,118
Restructuring charges, write-off of assets and others	**18,458**	3,277	–
Adjusted earnings (1)	**46,479**	57,825	48,536
Net earnings	**30,041**	53,888	45,094
Free cash flows	**62,367**	66,579	43,667
FINANCIAL POSITION			
Working capital	**443,078**	491,090	371,903
Total assets	**1,241,130**	1,239,245	805,527
Total net debt	**309,684**	351,839	181,955
Shareholder's equity	**484,205**	464,580	381,969
COMMON SHARE DATA			
Adjusted earnings (1)	**2.15**	2.67	2.46
Net earnings	**1.39**	2.49	2.29
Dividend (C$)	**0.52**	0.48	0.47
Weighted average number of outstanding shares	**21,623,300**	21,645,664	19,716,731

(1) EBITDA and earnings from continuing operations have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are excluded so as to provide comparable measurements. *(For further details, see the sections on "Analysis of consolidated results" and "Compliance with IFRS.")*

(2) The 2011 values have been restated to take into account the change in accounting method for the cost of inventory that took place in 2012 following the deployment of the enterprise resource planning system. However, as the obligation to restate the financial statements bearing only the preceding comparative year, 2010 has not been restated. *(For further details, see Note 4 of the Consolidated Financial Statements.)*

Detailed analysis of changes in operating results and the consolidated statements of financial position between 2012 and 2011 are provided in the following sections. Detailed analysis of changes in the operating results and the consolidated statements of financial position between 2011 and 2010 are included in the management report in the 2011 Annual Report, available on the SEDAR website (www.sedar.com).

Over the past three years, the Corporation has been able to introduce a variety of initiatives based on its strategic plan that will ensure its continued growth and increased effectiveness and profitability in a difficult economic context.

In fact, most of the variations in the Corporation's consolidated financial statements between 2010 and 2012 are a reflection of these initiatives, which include the following:

- Targeted acquisitions and diversification of distribution channels with the acquisition of FinishMaster and certain assets in Florida;
- Introduction of effective systems, with the development and deployment of the enterprise resource planning system; and
- Optimization of operations with the network consolidation plan ("optimization plan") and reduction of inventory.

Financial year 2010

Projects and realizations

2010 was marked by the development of the enterprise resource planning system, the creation of a unique database and the implementation of the finance module.

In 2010, the Corporation fully benefited from the purchase of its minority shareholders' interest in Uni-Select USA, Inc. and from a tax rate reduction resulting from its financing structure and maintained its goal of consolidating its operations by selling corporate stores in Canada, and closing or selling those stores that have a lesser potential of profitability in the United States.

The benefits related to these initiatives have been partly offset by the costs related to the implementation of the enterprise resource planning system, which, with respect to the operational portion, will only benefit the Corporation in subsequent years.

Financial year 2011

Acquisitions, integration et technology

A turning point, if ever there was one, came with the acquisition of FinishMaster, which enabled the Corporation to increase its business, extend its geographical presence and capture market share in the auto body and paints sector.

In doing so, the Corporation set up a credit facility that includes a $450 million credit agreement, issued $49.7 million in convertible debentures and $49.4 million in shares. The financing also made it possible to purchase automotive parts distribution assets in Florida, combining the activities of FinishMaster already present in the state. To that effect, certain stores were merged with the dual purpose of identifying synergies and offering a more complete range of products to our customers.

In Canada, the Corporation completed a restructuring of its distribution network, closing three warehouses and expanding a fourth.

In addition, with a view to sound asset management, the Corporation also disposed of two buildings, one of which was subsequently leased.

Also in 2011, the operational module of the enterprise resource planning software was successfully introduced in 7 warehouses and 21 stores.

Financial year 2012

Restructuration, integration and technology

The following table presents some of the initiatives undertaken and/or pursued in 2012 and their financial impacts for the Corporation.

<table>
<tr><th>HIGHLIGHTS</th><th>IMPACT – FOURTH QUARTER</th><th>IMPACT – YEAR TO DATE</th></tr>
<tr><td>Distribution network rationalization and consolidation plan</td><td colspan="2">The implementation of the distribution network consolidation plan began during the third quarter. To this end, the Corporation recorded restructuring expenses of $16,050 ($10,104 net of taxes). Those expenses will have limited impact on cash flows. The total cost of implementing the consolidation plan is expected to be approximately $22,000. To date, 24 stores and 1 warehouse have been closed and 5 warehouses have been converted to hub warehouses as part of the restructuring. (Refer to Note 8 to Consolidated Financial Statements for further details.)</td></tr>
<tr><td rowspan="2">Reimbursement of the long-term debt</td><td colspan="2">Using cash flows from operations and the reduction of its working capital, the Corporation reimbursed its long-term debt by:</td></tr>
<tr><td>↓ $5,000</td><td>↓ $48,000</td></tr>
<tr><td>Acquisitions</td><td colspan="2">The synergies related to FinishMaster and the acquired operations in Florida continue to materialize and Management is confident that the projected goals will be achieved or surpassed. Furthermore, the Corporation proceeded with the following transactions:
• Buyback of the remaining non-controlling interests of Uni-Select Pacific Inc.;
• Acquisition of 9 stores in Canada and the United States.</td></tr>
<tr><td>Vendor financing program</td><td colspan="2">During the second quarter, the Corporation renegotiated and increased its authorized limit with its financial institutions from $75,000 to $175,000 permitting an improved working capital management. As at December 31, 2012, over $76,000 in vendor financing was approved under the program.</td></tr>
<tr><td>The development and deployment of the enterprise resource planning system</td><td>Investments of $1,100 in capital expenditures and $1,700 in non-recurring operating expenses</td><td>Investments of $8,000 in capital expenditures and $7,500 in non-recurring operating expenses</td></tr>
<tr><td colspan="3">The deployment of the operational module of the enterprise resource planning system is being pursued, according to the established plan, with a fifth wave of implementation in December 2012, covering 4 warehouses and their respective stores. As of now, 30 warehouses and more than 190 stores have been converted. The deployment will be pursued gradually to be completed during the first half of 2013.</td></tr>
<tr><td>Change in inventory valuation method</td><td colspan="2">During the fourth quarter, the Corporation assessed the impact of the change in inventory accounting method following the introduction of its enterprise resource planning system. The change was applied retrospectively.
(For further details, see section on “Accounting methods and estimates.”)</td></tr>
</table>

Subsequent event:

On January 15, 2013, the Corporation amended its credit facility permitting:

- A reduction in interest rates, reflecting current market conditions;
- An elimination of the short-term portion, with the term loan converted to long-term revolving credit; and
- An increase in total amount available from $427,500 to $435,000.

(For further details, see section on “Subsequent event,” further on in this Management Report.)

ANALYSIS OF CONSOLIDATED RESULTS

$1.8 billion
sales

$98 million
adjusted EBITDA

$46 million
adjusted net earnings

(in thousands of US dollars, except percentages)	Fourth Quarter			Year to date		
	2012	2011	%	**2012**	2011	%
Sales						
United States	**298,499**	313,169	(4.7)	**1,300,991**	1,242,979	4.7
Canada	**125,773**	123,481	1.9	**520,182**	538,291	(3.4)
	424,272	436,650	(2.8)	**1,821,173**	1,780,570	2.3
EBITDA	**11,133**	17,187	(35.2)	**90,010**	101,094	(11.0)
EBITDA Margin	***2.6%***	*3.9%*		***4.9%***	*5.7%*	
Adjustments (1)	**1,912**	1,371		**7,705**	4,666	
Adjusted EBITDA	**13,045**	18,558	(29.7)	**97,715**	105,760	7.6
Adjusted EBITDA Margin	***3.1%***	*4.3%*		***5.4%***	*5.9%*	

(1) Refer to the following table and the "Compliance with IFRS." section for further details.

The following table shows the various adjustments used to calculate adjusted EBITDA.

TABLE OF ADJUSTMENTS

(in thousands of US dollars)	Fourth Quarter		Year to date	
	2012	2011	**2012**	2011
Expenses related to the development and deployment of the enterprise resource planning system (ERP) (1)	**1,747**	1,066	**7,540**	3,141
Expenses related to the closure and disposal of stores (2)	**165**	305	**165**	1,525
Total adjustments	**1,912**	1,371	**7,705**	4,666

(1) Mainly includes costs related to data conversion, employee training and deployment to various sites.
(2) Primarily consists of costs related to lease terminations, workforce and expenses required to relocate inventory and write-offs of assets.

Sales

FOURTH QUARTER

The automotive aftermarket was impacted by challenging economic and weather conditions. Northeast regions were severely affected by storms and several of our stores were closed for days. In addition the Company experienced some business disruptions created by the deployment of the enterprise resource planning system, impacting customer services during the transition. These factors had a negative impact on our sales. Total sales for the quarter decreased by 2.8% compared to same period of last year, resulting in a decline of organic nature of 5.9%:

- – 6.3% in the United States;
- – 4.7% in Canada, mainly in the eastern provinces;

Partly offset by:

- The acquired operations in Florida, which contributed an increase of 1.5%;
- Favorable impact of fluctuations in the value of the Canadian dollar compared to the US dollar; and
- Additional billing day in the United States and in Canada.

YEAR TO DATE

The 2.3% increase in sales for 2012 compared to the same period of last year is primarily due to acquisitions, mainly the acquired operations in Florida and FinishMaster, with a positive contribution of 5.0%.

Additional sales arising from these acquisitions, combined with one more billing day in United States, have been partly offset by the following items:

- An organic decline of 2.2% also arising from the difficult economic context, especially in the second half of the year:
  - – 1.9% in the United States
  - – 2.9% in Canada, mainly in the eastern provinces; and
- Unfavorable impact of fluctuations in the value of the Canadian dollar compared to the US dollar.

Adjusted EBITDA

FOURTH QUARTER

The adjusted EBITDA margin is 3.1% of sales for the fourth quarter of 2012 compared to 4.3% for the same period last year.

Adjusted EBITDA margin decline is mainly attributable to:

- A decrease in sales not entirely offset by the decrease in expenses;
- Higher information technology maintenance and support costs related to the new ERP system, including the hosting of servers during the system transition period and the implementation of the ERP system.

However, the following items have partly offset the aforementioned factors:

- The optimization plan for which some cost savings have already materialized;
- Improved buying conditions obtained from certain suppliers.

YEAR TO DATE

The adjusted EBITDA margin is 5.4% of sales for 2012 compared to 5.9% in 2011.

The adjusted EBITDA margin for the year 2012 reflects the same factors as those cited for the quarter. However, the economic and climatic downturn has had a lesser impact for the year as it has only been prevailing since April.

These items were partially offset by the additional marginal contribution arising from the acquisitions made in 2011, combined with the benefits from the realized synergies.

Analysis of other items and amounts related to the consolidated results

FINANCE COSTS, NET

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Finance costs, net	**4,303**	4,559	**18,364**	17,283

FOURTH QUARTER

The decrease in finance costs in the fourth quarter of 2012 compared with the same quarter of 2011 is due primarily to the following factors:

- Reduction of indebtedness; and
- Reduction in interest rates resulting from the termination of swap tranches bearing interest at higher rates.

These items were partly offset by the discontinued interest capitalization related to the development of the enterprise resource planning system that ended following the deployment of the first rollout wave in November 2011.

YEAR TO DATE

The increase in finance costs for the year 2012 over 2011 is mainly attributed to the following factors:

- Financing of recent acquisitions;
- The discontinued interest capitalization related to the development of the enterprise resource planning system that ended following the deployment of the first rollout wave in November 2011.

These items were partly offset by a reduction in debt, combined with a decrease in interest rates resulting from the termination of swap tranches bearing interest at higher rates.

(Refer to Note 6 to the Consolidated Financial Statements for further details.)

DEPRECIATION AND AMORTIZATION

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Depreciation and amortization	**6,701**	5,738	**27,026**	22,166

FOURTH QUARTER

The increase in the provision for amortization for the fourth quarter of 2012 over the same quarter of 2011 is primarily due to the amortization of intangible assets related to the enterprise resource planning system, capital expenditures related to the vehicle fleet and recent corporate acquisitions.

YEAR TO DATE

The increase in depreciation and amortization for 2012 compared to last year reflects the same factors as those cited in the quarter.

(Refer to Note 7 in the Consolidated Financial Statements for further details.)

RESTRUCTURING CHARGES, WRITE-OFF OF ASSETS AND OTHERS

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Restructuring charges, write-off of assets and others	**–**	301	**18,458**	3,277

These expenses include the following items:

- As part of the optimization plan announced last August, the Corporation recorded restructuring charges of $13,865 related to site closure and consolidation costs, which include initiatives to liquidate redundant inventory, employee termination benefits, estimated lease exit costs and write-downs of property and equipment to their net realizable value.
- The Corporation also recorded a write-off of $2,185 in the value of certain software which will no longer be used in its operations following the ERP implementation.
- Restructuring charges, write-off of assets and others also includes acquisition-related costs of $2,408 ($3,277 in 2011) stemming from business acquisition efforts undertaken by the Corporation.

(Refer to Note 8 in the Consolidated Financial Statements for further details.)

NET GAIN ON THE DISPOSAL OF PROPERTY AND EQUIPMENT

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Net gain on the disposal of property and equipment	**–**	–	**–**	(1,728)

In the first quarter of the prior year, the Corporation disposed of two buildings.

The net gain resulting from these transactions was presented as a separate line item in the Consolidated Statement of Earnings.

INCOME TAXES

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Income taxes	**(4,552)**	(2,413)	**(3,788)**	6,773

FOURTH QUARTER

The geographical distribution of the Corporation's results had a positive impact on the effective tax rate during the fourth quarter compared to the same quarter last year.

YEAR TO DATE

The decrease in the effective tax rate for 2012 compared to last year reflects the same factors as those cited for the quarter.

(Refer to Note 12 in the Consolidated Financial Statements for further details.)

Earnings and earnings per share

The following table presents a reconciliation of adjusted earnings and adjusted earnings per share.

(in thousands of US dollars, except per share amounts and percentages)	Fourth Quarter			Year to date		
	2012	2011	%	**2012**	2011	%
Net earnings attributable to shareholders, as reported	**4,651**	9,089	(48.8)	**30,041**	53,888	(44.3)
Restructuring charges, write-off of assets and others, net of taxes	**–**	161		**11,543**	2,535	
Gain on the disposal of property and equipment, net of taxes	**–**	–		**–**	(1,665)	
Non-recurring items, net of taxes	**1,209**	901		**4,895**	3,067	
Adjusted earnings	**5,860**	10,151	(42.3)	**46,479**	57,825	(19.6)
Net earnings per share attributable to shareholders, as reported	**0.22**	0.42	(47.6)	**1.39**	2.49	(44.2)
Restructuring charges, write-off of assets and others, net of taxes	**–**	0.01		**0.53**	0.12	
Gain on the disposal of property and equipment, net of taxes	**–**	–		**–**	(0.08)	
Non-recurring items, net of taxes	**0.06**	0.04		**0.23**	0.14	
Adjusted earnings per share	**0.27**	0.47	(42.6)	**2.15**	2.67	(19.5)
Dilutive effect of convertible debentures and options	**–**	–		**–**	(0.02)	
Adjusted diluted earnings per share	**0.27**	0.47	(42.6)	**2.15**	2.65	(18.9)

Consolidated quarterly operating results

The Corporation records earnings in each quarter, but the second and third quarters have historically generated higher sales than the first and fourth quarters. It should be noted that the net earnings were negatively impacted during the third quarter of 2012 by restructuring charges in the amount of $16,050 ($10,104 net of income taxes).

The following table summarizes the main financial information drawn from the consolidated interim financial report for each of the last eight quarters.

	2012				2011			
(in thousands of US dollars, except per share amounts and percentages)	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Sales								
United States	**298,499**	**330,095**	**337,361**	**335,036**	313,169	322,901	324,774	281,435
Canada	**125,773**	**133,306**	**145,411**	**115,692**	123,481	149,590	149,871	115,349
	424,272	**463,401**	**482,772**	**450,728**	436,650	472,491	474,645	396,784
Adjusted EBITDA	**13,045**	**25,464**	**31,891**	**27,315**	18,558	30,759	33,304	23,139
Adjusted EBITDA margin	***3.1 %***	***5.5 %***	***6.6 %***	***6.1 %***	*4.3 %*	*6.5 %*	*7.0 %*	*5.8 %*
EBITDA	**11,133**	**24,062**	**30,194**	**24,621**	17,187	29,904	32,303	21,700
Adjusted earnings	**5,860**	**11,511**	**16,147**	**12,961**	10,151	17,186	19,141	11,347
Net earnings	**4,651**	**(926)**	**15,085**	**11,231**	9,089	16,633	18,504	9,662
Restructuring charges, write-off of assets and others	**–**	**18,458**	**–**	**–**	301	–	–	2,976
Adjusted basic earnings per share	**0.27**	**0.53**	**0.75**	**0.60**	0.47	0.79	0.88	0.53
Basic earnings per share	**0.22**	**(0.04)**	**0.70**	**0.52**	0.42	0.77	0.85	0.45
Diluted earnings per share	**0.22**	**(0.04)**	**0.69**	**0.52**	0.42	0.75	0.84	0.45
Dividends paid per share (C$)	***0.130***	***0.130***	***0.130***	***0.120***	*0.120*	*0.120*	*0.120*	*0.117*
Average exchange rate for earnings	**1.01**	**1.00**	**0.99**	**1.01**	0.98	1.02	1.03	1.01

CASH FLOWS AND SOURCES OF FINANCING

Cash flows

The following table shows the Corporation's capacity to generate cash flows from operations, which enable it to support its initiatives.

(in thousands of US dollars)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
EBITDA	**11,133**	17,187	**90,010**	101,094
Interest paid	**(1,994)**	(2,549)	**(17,139)**	(14,865)
Income taxes paid	**(198)**	(199)	**(1,802)**	(9,158)
Acquisitions of property and equipment	**(5,205)**	(2,745)	**(12,987)**	(10,702)
Other non-cash items	**1,652**	(117)	**4,285**	210
Free cash flow	**5,388**	11,517	**62,367**	66,579
Trade and other receivables	**2,960**	31,796	**(807)**	3,640
Inventory	**(33,227)**	(43,453)	**29,677**	(59,766)
Prepaid expenses	**(642)**	1,203	**(159)**	3,827
Trade and other payables	**45,849**	9,526	**4,355**	22,089
Working capital items	**14,940**	(928)	**33,066**	(30,210)
Net increase in long-term debt	**–**	43,919	**–**	174,448
Issuance of convertible debentures, net of issuance costs	**–**	–	**–**	49,741
Issuance of shares, net of issuance costs	**–**	235	**29**	49,596
Disposals of property and equipment	**45**	–	**687**	5,984
Total funds generated during the period	**20,373**	54,743	**96,149**	316,138
Net repayment of long term debt	**(5,596)**	–	**(48,103)**	–
Development of intangible assets	**(3,776)**	(3,690)	**(15,424)**	(24,847)
Dividends paid	**(2,841)**	(2,590)	**(11,063)**	(10,270)
Business acquisitions	**(1,117)**	(32,606)	**(6,364)**	(255,608)
Receipts on investments and advances to merchant members	**(4,122)**	(2,256)	**(9,243)**	(8,705)
Restructuring charges	**(2,320)**	(301)	**(3,421)**	(3,277)
Net increase in bank indebtedness	**96**	(10,736)	**196**	(10,681)
Buyback of shares	**(1,348)**	(1,197)	**(2,096)**	(1,855)
Others	**537**	60	**(1,249)**	397
Total funds used during the period	**(20,487)**	(53,316)	**(96,767)**	(314,846)
Total changes in cash	**(114)**	1,427	**(618)**	1,292
Cash at the beginning of the period	**1,167**	244	**1,671**	379
Cash at the end of the period	**1,053**	1,671	**1,053**	1,671

The most significant cash flows for the year were related to the following initiatives:

• A reduction in long-term debt;

• A reduction in inventory;

• An implementation of the enterprise resource planning software;

As well as the purchase of property and equipment.

The most significant items which generated or used cash are:

Free cash flow

The decrease in free cash flow is mainly due to the decline of EBITDA.

Working capital items

Trade and other receivables: The variance is due to sale taxes receivable, partly offset by the slowdown of sales.

Inventory: The Corporation has proceeded with a planned and orderly reduction of its inventory in order to gradually bring it back to an optimal level. During the quarter, this reduction was more than offset by special purchases made from certain suppliers to take advantage of one-time discounts, similar to the Corporation's practice in 2011.

Trade and other payables: The impact of the decrease in procurement related to the inventory reduction plan and the decline in operations was offset by greater use of the vendor financing program.

Repayment of long-term debt

By using cash flows from operations, including the reduction of the working capital, the Corporation was able to reduce its long-term debt.

Development of intangible assets

Costs incurred for development of intangible assets are almost exclusively related to the development of the ERP system.

Dividends paid

Payment of dividends to common shareholders, i.e. C$0.51 per share for the year.

The most significant cash flows during the last year are related to the acquisition of FinishMaster, Inc. and certain assets in Florida and the related renewal of the credit facility, combined with a new long-term debt which was used in part to reimburse the former credit facility. In order to complete the financing, the Corporation also issued convertible debentures and shares. *(For further details, see Notes 8, 18 and 20 in the Consolidated Financial Statements included in the 2011 Annual Report.)*

Sources of financing and fund requirements

The Corporation is diversifying its sources of financing in order to manage and mitigate liquidity risk.

SOURCES OF FINANCING

Credit facilities

Following amendment of the credit facility on January 15, 2013, the Corporation has a credit limit of $435,000 from a long-term revolving credit facility bearing interest at a variable rate. *(For more information about the credit facility, see Notes 17 and 30 of the Consolidated Financial Statements.)*

At December 31, 2012, according to the new terms, the amount of $123,000 was unused ($82,000 at December 31, 2011).

Vendor financing program

The Corporation benefits from a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Corporation makes full payment to the financial institution, according to the new extended terms agreed to with suppliers.

As at December 31, 2012, under these agreements, Uni-Select deferred payment of account payables in the amount of $76,264 ($51,724 as at December 31, 2011). These amounts are presented in the trade and other payables in the consolidated statement of financial position. This program is available upon request and may be modified by either party. In the second quarter, in a perspective of working capital management, the Corporation has renegotiated its authorized limit with its financial institutions in order to increase it from $75,000 to $175,000 at December 31, 2012.

Convertible debentures

In 2011, in order to finance the FinishMaster acquisition, the Corporation issued convertible unsecured subordinated debentures bearing interest at a rate of 5.9% per annum. The convertible debentures are convertible at the holder's option into the Corporation's common shares at a conversion rate of C$41.76 per share. (For more information on convertible debentures, see Note 17 of Consolidated Financial Statements.)

FUND REQUIREMENTS

Using the various financing tools mentioned earlier, as well as its capacity to generate cash flows, the Corporation is able to meet both its operational and contractual needs and thus support its various strategic initiatives and hence its future growth.

Operational needs

The various operational requirements that the Corporation will face in 2013 are summarized as follows:

• Purchase of various capital assets, primarily the renewal of the vehicles fleet[(1)] and hardware equipment, as well as the establishment of the optimisation plan	32,000
• Implementation of the enterprise resource planning software	3,000

(1) The renewal of the vehicles fleet will be done through finance-leases

To those items is added support for working capital, which varies seasonally. Their variations will, however, be partially offset by the pursuit of the inventory reduction plan as well as increased use of the vendor financing program.

Contractual obligations

Operating leases

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2021 for the rental of buildings, vehicles and outsourcing of information technology services. Some of these lease agreements contain renewal options for additional periods of one to five years which the Corporation may exercise by giving prior notice.

Finance leases

The Corporation uses finance leases to renew its vehicle fleet in the United States. The terms vary from 36 to 60 months depending on the lease. As at December 31, 2012, the book value of the leased assets, which are presented under "automotive equipment" along with "property and equipment", was $11,049 ($4,381 as at December 31, 2011).

The following table shows the various contractual obligations due by period:

(in thousands of US dollars)	2013	2014	2015	2016	2017	Thereafter
Bank indebtedness	702	–	–	–	–	–
Long-term debt (1) (2)	15,760	15,095	20,720	296,392	95	48
Operating leases	41,950	35,262	29,271	25,513	12,448	12,993
Finance leases (3)	3,246	2,921	2,628	1,816	253	–
Total	61,658	53,278	52,619	323,721	12,796	13,041

(1) Includes credit facility and convertible debentures
(2) Does not include obligations related to interest on the debt
(3) Includes obligations related to interest on finance leases

Following the amendment of the credit facility on January 15, 2013, contractual obligations become the following (for further details, see Note 30 of the Consolidated Financial Statements):

(in thousands of US dollars)	2013	2014	2015	2016	2017	Thereafter
Bank indebtedness	702	–	–	–	–	–
Long-term debt (1) (2)	105	95	95	49,194	249,804	48
Operating leases	41,950	35,262	29,271	25,513	12,448	12,993
Finance leases (3)	3,246	2,921	2,628	1,816	253	–
Total	46,003	38,278	31,994	76,523	262,505	13,041

(1) Includes credit facility and convertible debentures
(2) Does not include obligations related to interest on the debt
(3) Includes obligations related to interest on finance leases

Post-employment benefit obligations

The Corporation sponsors both defined benefit and defined contribution pension plans. The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on years of service and final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations. If there was a significant change in the discount rate, the Corporation would be forced to make up the difference.

For the year ended December 31, 2013, the Corporation expects to make contributions of approximately $5,040 for its defined benefit plans. *(For more information see Note 21 of Consolidated Financial Statements.)*

Off balance sheet arrangements – Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $13,637 at December 31, 2012 ($11,969 at December 31, 2011).

(For more information, see Note 24 of Consolidated Financial Statements.)

Capital structure

Flexibility and returns to shareholders

The Corporation's capital management strategy optimizes the capital structure to enable the Corporation to benefit from strategic opportunities that may arise while minimizing related costs and maximizing returns to shareholders. The Corporation adapts capital management to changing business conditions and the risks related to the underlying assets.

INDEBTEDNESS

The Corporation strives to maintain the following objectives:

- **A ratio of total indebtedness (net of cash) to total net indebtedness plus total shareholders' equity of less than 45%;**
- **A ratio of long-term debt to total shareholders' equity of less than 125%;**
- **A ratio of loan-financed debt to EBITDA not exceeding 3.5.**

These ratios do not constitute the calculations required in banking commitments but rather those that the Corporation considers pertinent to follow as a way of ensuring flexibility in the capital structure. However, for purposes of compliance, the Corporation periodically reassesses the requirements of its bank credit to ensure that they are being met. As at December 31, 2012, the Corporation meets all the requirements. *(For further details, see Note 26 of Consolidated Financial Statements.)*

(in thousands of US dollars, except percentages)	**Objectives**	**Dec. 31, 2012**	Dec. 31, 2011
Long-term debt		**310,035**	353,013
Total net debt		**309,684**	351,839
Total shareholders' equity *(including convertible debentures)*		**533,304**	511,805
Total net debt to total net debt and total shareholders' equity	*Less than 45%*	***36.7%***	*40.7%*
Long-term debt to total shareholders' equity ratio	*Less than 125%*	***58.1%***	*68.9%*
Funded debt to EBITDA ratio	*Maximum 3.5*	***3.43***	*3.37*

(For further details about how the Corporation calculate those ratios, see the section on "Compliance with IFRS.")

The improvement of the *total net debt to total net debt and total shareholders equity ratio,* as well as the *long-term debt to total shareholders' equity ratio,* are essentially due to the decrease in indebtedness.

The increase in the *funded debt to EBITDA ratio* is attributed to the reduction in EBITDA, which partly offset the decrease in indebtedness.

SHAREHOLDERS' EQUITY

Under its capital management policy, the Corporation seeks to achieve the following returns:

- **An adjusted return on average total shareholders' equity of 9% greater than the risk-free interest rate; and**
- **A dividend corresponding to approximately 20% of the previous year's net earnings.**

Return on average total shareholders' equity

The adjusted return on average total shareholders' equity for 2012 was 8.8%, compared with 12.3% for 2011, a direct effect of the Corporation's lower net earnings.

Dividends

The Corporation paid quarterly dividends to its shareholders for the 25th consecutive year. In addition, the Corporation increased its dividend for 2012 by 8.3%, declaring C$0.52 per share, or C$0.13 per share quarterly, compared with C$0.48 per share, or C$0.12 per share quarterly, for 2011. The increased dividend is a result of the increase in net earnings for 2011 over 2010. The dividends are eligible for income tax purposes.

On February 28, 2013, the Corporation also declared the first quarterly dividend of 2013 of C$0.13 per share, payable on April 19, 2013 to shareholders of record at March 31, 2013. The Corporation will therefore pay a dividend equal to the dividend for 2012.

Dividends are approved by the Board of Directors, which bases its decision on operating results, cash flows and other relevant factors. There is no guarantee that dividends will be declared in future.

Information on capital stock

(in thousands of shares)	Fourth quarter		Year to date	
	2012	2011	**2012**	2011
Number of shares issued and outstanding	**21,551**	21,637	**21,551**	21,637
Weighted average number of outstanding shares	**21,591**	21,653	**21,623**	21,646

At January 31, 2013, 21,512,570 shares of the Corporation were outstanding.

Normal course issuer bid

During the year, the Corporation repurchased 87,366 common shares (70,800 in 2011) for cash consideration of $2,096 ($1,855 in 2011) including a share repurchase premium of $1,690 ($1,481 in 2011) applied as a reduction of retained earnings.

Issuance of shares

No shares were issued during the normal course of business in 2012. In the second quarter, 1,769 shares were issued under the stock options plan (16,180 in 2011).

To complete the financing of its FinishMaster acquisition in 2011, the Corporation issued 1,983,750 common shares. The increase of $49,980 represented proceeds of issuance of $49,361 net of transaction costs. A deferred tax impact of $619 was recorded related to the share issuance costs.

Programs for management employees and officers

The Corporation's stock-based compensation plan includes an equity-settled common share stock option plan for directors, management employees and officers and a cash-settled deferred share unit plan.

Common share stock option plan for management employees and officers

On May 8, 2012, the Corporation amended and restated its Common share stock option plan for management employees and officers (the "Stock option plan"). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Stock option plan. The options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the amended plan vest over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years. At December 31, 2012, options granted prior to the amendment for the issuance of 60,000 common shares (61,769 at December 31, 2011) were outstanding, and 1,638,231 common shares (90,895 at December 31, 2011) were reserved for additional options under the Stock option plan. No stock options were granted for the years ended December 31, 2012 and 2011.

Deferred share unit plan

On February 28, 2013, the Corporation formally adopted a deferred share unit plan for directors, officers and management employees (the "DSU Plan"). Under the DSU Plan, the directors could (i) be required by the Board of Directors to receive a portion of their remuneration in the form of deferred share units ("DSUs") or (ii) at their discretion, make an election to receive a portion of, or all their remuneration in DSUs, subject to the Board of Directors' approval. The officers and management employees are required to make an election to receive a portion of their annual bonus under the short term incentive plan ("Short Term Bonus") in the form of DSUs if they do not meet the minimum share ownership guidelines ("SOG") adopted by the Board of Directors. If the minimum holding under the SOG is met by an officer or a management employee, an election to receive a portion of their Short Term Bonus in the form of DSUs could be made by such individual.

A DSU is equal in value to one common share of the Corporation. The DSUs are issued on the basis of the average closing price of Corporation's common shares on the TSX for the five trading days preceding the date of issuance ("DSU Value"). Dividend equivalents accrue on outstanding DSUs on the basis of dividends paid on the Corporation's common shares. DSUs are redeemed by the Corporation after the death, retirement or termination of a participant and in the event of a change in control. The participant is then entitled to receive in cash for each DSUs, the DSU Value calculated at the redemption date.

The DSU Plan is effective as of May 8, 2012 for the Directors and as of January 1, 2013 for the officers and management employees. For the year ended December 31, 2012, 11,456 DSUs were issued under the DSU plan, subject to the formal adoption of the plan by the Board of Directors. Compensation expense of $262 was recorded during the year related to the outstanding DSUs.

FINANCIAL POSITION

The various items in the consolidated statement of financial position may vary significantly due to corporate acquisitions and the fluctuation in the exchange rate.

In 2012, there were no acquisitions that could significantly affect the financial position when compared to December 31, 2011. Furthermore, the exchange rates have remained relatively stable during this same period of last year. Consequently, few significant variances occurred in the Corporation's financial position related to these factors.

The following table shows an analysis of the main items in the consolidated statement of financial position.

(in thousands of US dollars)	**Dec. 31, 2012**	Dec. 31, 2011	Impact of business acquisitions or disposals	Exchange rate impact	Net Variance	Explanations for net variance
Trade and other receivables	**206,050**	198,987	2,576	1,674	2,813	Sales tax receivables were partly offset by the decline in sales at the end of the year.
Inventory	**533,107**	566,488	3,826	2,805	(40,012)	The Corporation has proceeded with a planned and orderly reduction of its inventory in order to gradually reach the optimal level.
Trade and other payables	**313,698**	298,686	3,674	3,134	8,204	The impact of the decline in purchases was offset by an improvement in the payment terms for accounts payable.
Other working capital items	**36,434**	38,821	10	21	(2,418)	The change is due to the decrease in taxes receivable.
Working capital excluding cash, bank indebtedness and instalments on long-term debt	**461,893**	505,610	2,738	1,366	(47,821)	–
Long-term debt, including short-term portion	**310,035**	353,013	6,838	196	(50,012)	The decrease in long-term debt is explained by cash flows generated by operations.

RELATED PARTY TRANSACTIONS

For the years ended December 31, 2012 and 2011, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2012 and 2011, the compensation paid or payable to key management personnel were as follows:

(in thousands of US dollars)	2012	2011
Salaries and short-term employee benefits	2,659	3,070
Post-employment benefits (including contributions to defined benefit pension plans)	466	346
Other long-term benefits	688	568
Share-based payments	281	–
Total compensation paid or payable	4,094	3,984

There were no related party transactions with key management personnel for the years ended December 31, 2012 and 2011.

Other transactions

The Corporation incurred rental expenses of $923 for the three-month period ended December 31, 2012 ($854 for 2011) and $3,592 for the twelve-month period ended December 31, 2012 ($3,500 for 2011) to the benefit of Clarit Realty Ltd., a company controlled by a related party. The associated lease agreements were concluded in the Corporation's normal course of business for various terms of no more than five years.

Transactions with subsidiaries are eliminated in the Consolidated Financial Statements. The Corporation's significant ownership interests in subsidiaries of 100% at December 31, 2012 and 2011 are as follows:

Beck/Arnley Worldparts, Inc.	Uni-Select Eastern Inc.	Uni-Select Purchases Inc.
FinishMaster, Inc.	Uni-Select Lux Holdco Inc.	Uni-Select Purchases, G.P.
North Shore Parts & Industrial Supplies Ltd.	Uni-Select Luxembourg S.à.r.l.	Uni-Select Québec Inc.
Plastique Royal Inc.	Uni-Select Prairies Inc.	Uni-Select USA Holdings, Inc.
Uni-Select Alberta Inc.	Uni-Select Pacific Inc.(1)	Uni-Select USA Inc

(1) The ownership interest in the subsidiary, Uni-Select Pacific Inc., was 88.46% at December 31, 2011.

SUBSEQUENT EVENT

Amendment of the credit facility

On January 15, 2013, the Corporation amended the terms of its existing credit facility and extended its maturity by one year to January 2017. The term loan for a remaining amount of $177,500 was converted into an operating loan under the revolving loan portion of the credit facility, the total of which was increased from $427,500 to $435,000. The Corporation will also benefit from reduced interest rates under the amended terms of the credit facility which reflect current market conditions. The amended credit facility is available in Canadian or US dollars and can be repaid at any time without penalty. The variable interest rates are based on LIBOR in Canadian or US dollars, bankers' acceptances and prime rates plus the applicable margins.

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material impact on its business activities, operating results, cash flows and financial position. Uni-Select continuously updates its system of analysis and of operational, strategic and financial risk control to manage and implement activities with objectives to mitigate the main risks mentioned below.

Risks associated with the economy

Economic climate

The economic climate has a moderate impact on sales of automotive replacement parts and on the Corporation's operations. Although the automotive aftermarket industry is to some extent dependent on the sale of new cars, it is not nearly as affected by the current economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle.

Inflation

Management believes that inflation has little impact on the Corporation's financial results, as any price increase imposed by manufacturers is passed on to consumers. Nevertheless, low inflation or deflation in the value of replacement parts on the market can have a negative impact on the profitability of its distribution centers. To reduce the risk of deflation in the value of inventoried parts, the Corporation has compensation agreements with most of its suppliers.

Distance travelled

There is a direct link between unemployment, oil prices and distance travelled and also between distance travelled and the rate of vehicle wear and tear and repairs. Fuel prices are also affecting the Corporation's delivery costs in the United States. Uni-Select regularly reviews delivery routes in the United States to ensure that they are optimal and thus keep delivery costs to a respectable level.

Risks associated with the business context

Growth in the vehicle fleet

Although growth in the number of registered vehicles in North America is relatively modest, the decline in sales for new vehicles in 2008 and 2009 has resulted in an aging vehicle fleet, leading to an increase in demand for replacement parts.

The growing number of car models over the last few years, coupled with their longer lifespan, is resulting in a proliferation of replacement parts, imposing financial constraints on distributors and merchants that must carry a greater selection of parts to ensure adequate availability. This factor is partly offset by manufacturers putting increasingly sophisticated technological components into their vehicles, resulting in each part serving more purposes and costing more to repair, which is favourable to the replacement parts industry.

The rise in the number of foreign vehicle brands in North America is also responsible for the growing number of car models and the proliferation of replacement parts. This situation, together with the use of this complex technology and the greater number of electronic components being used in cars, are factors that tend to favor dealers when consumers are deciding on a service supplier to perform their vehicle maintenance. On the other hand, any potential downsizing of automobile dealers could result in a move toward the aftermarket network for vehicle maintenance and repairs.

Distribution by the manufacturer directly to consumers

The distribution of paint depends on the supplying of products to the Corporation by certain large suppliers. Nothing can guarantee that these suppliers will supply the Corporation with paint at favorable terms in the future. It is possible that these suppliers distribute their products directly to the customers of the Corporation, which would cause an adverse effect on the profitability of the Corporation's business. In order to reduce risks, Uni-Select retains harmonious business relationships with large paint manufacturers and offers loyalty programs to their body shop customers, thereby creating value throughout the distribution chain.

Products

Uni-Select primarily distributes parts and products from well-known and well-established North American manufacturers. These manufacturers generally take responsibility for products that are defective, poorly designed or non-compliant with their intended use.

Uni-Select imports various parts and products from foreign sources; the success of an eventual appeal against a supplier or manufacturer is uncertain. The Corporation protects itself with liability insurance. In addition, transport logistics between the country of origin and the markets supplied increase the risk of stock outages.

To ensure a continuous supply of its products, the Corporation examines the financial results of its main suppliers and regularly reviews the diversification of its sources of supply.

Technology

Ongoing technological developments in recent years is requiring distributors and wholesalers to provide continuing training programs to their employees, along with access to new diagnostic tools. Uni-Select manages the potential impact of these trends through the scope and quality of the training and support programs it provides to independent jobbers, their employees and their customers. It provides its customers with access to efficient and modern technologies in the areas of data management, warehouse management and telecommunications.

Environmental risks

The industry of paint distribution involves a certain level of environmental risk. The damages or destruction by fire to warehouses, specialised in the storage of such products, resulting in the discharge of paint, can cause environmental consequences such as soil or air pollution. These specialised warehouses are generally well equipped to reduce such risks. This includes up-to-date sprinkler systems and retention basins in the event of an accidental discharge.

Risks associated with the operational context

Risks related to Uni-Select's business model and strategy

In the automotive replacement parts market, Uni-Select's business model, which is primarily focused on servicing independent jobbers (rather than a network of corporate stores), requires the Corporation to take special measures to promote its merchant members' loyalty and long-term survival. This is why Uni-Select's fundamental approach is to drive the growth, competitiveness and profitability of its members and customers by means of a total business solution that incorporates good purchasing conditions, proactive management of product selection, highly efficient distribution services, innovative marketing programs and various support services, such as training and financing. In the context of industry consolidation, which is also occurring at the jobber level, the Corporation has developed programs designed to facilitate its merchants' expansion through acquisitions.

Furthermore, considering that owners of replacement parts stores are generally aging, Uni-Select has also implemented succession programs to enable merchants who wish to retire to sell their business to a family member, an employee or another member of Uni-Select's network. Where appropriate, Uni-Select may decide to purchase this merchant's business to protect its distribution network.

The Corporation's growth-by-acquisition strategy, especially in the United States, carries its share of risks. Uni-Select has developed solid know-how in this regard, having successfully acquired and integrated several dozen businesses in the last five years alone, including the two largest acquisitions in its history, which are being integrated as planned. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence procedures and develops detailed integration plans. Finally, Uni-Select relies on a multidisciplinary team that is able to accurately assess and manage the risks specific to the markets where it does business, particularly in the United States.

Competition

The aftermarket industry in which the Corporation does business is highly competitive. Availability of parts, prices, quality and customer service are critical factors. Uni-Select competes primarily in the DIFM (do it for me) segment of the industry with national and regional retail chains, distributors and independent wholesalers as well as online suppliers. Competition varies from market to market and some competitors may have superior advantages to Uni-Select, which may result in a reduction in selling prices and an increase in marketing and promotional expenses, which would drive down the

Corporation's profitability. To reduce that risk, the Corporation regularly reviews its product and service offering to meet the needs of its customer base as effectively as possible. In addition, the proliferation of parts in itself is a barrier to entry into the market for new competitors.

Business and financial systems

The Corporation's growth-by-acquisition strategy has led to a proliferation of business systems in the United States. In the last few years, the Corporation has been able to integrate all its acquisitions into the main financial system but has had to maintain various business systems, establishing interfaces required under the circumstances.

To sustain growth, in 2009, management selected the SAP software and successfully proceeded with the installation of its finance modules in July of 2010. In 2011 and 2012, the Corporation successfully rolled out the operational modules in 30 distribution centers and over 190 stores. In 2013, the Corporation will pursue and complete the gradual and orderly deployment of its enterprise resource planning system.

The development phase was completed in 2011 and the system has now been deployed in all distribution centers in Canada and in 21 distribution centers and 190 stores in the United States. The Corporation therefore considers the remaining risk associated with implementation to be minimal. The inability to pursue the deployment and integration of these systems within a reasonable time frame could affect the Corporation's ability to achieve the expected financial results.

In addition to facilitating the management of every facet of the organization, this system will consolidate several business and financial applications as well as their interfaces and will include a number of automated controls that are currently performed independently, therefore constituting compensatory controls. Standardization of processes will also facilitate the day-to-day management of operations.

Human resources

During this period of active change, Uni-Select must attract, train and retain a large number of competent employees, while controlling payroll. Labor costs are subjects to numerous external factors, such as wage rates, fringe benefits and the availability of timely local skilled resources. The inability to attract, train and retain employees could affect the Corporation's growth capacity as well as its financial performance. Over the years, the Corporation has introduced a number of employee incentive programs and tools, including the following:

- The Build-A-Car workshops for change management;
- Leadership training and accelerated talent development programs;
- The "Value Creator" and "Performance" recognition prizes and the President's Award.

Risks associated with financial instruments

Fair value

The fair value of cash, trade receivables, trade and other payables, bank indebtedness and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the actual economic conditions.

Liquidity risk

This risk is dealt with in the section on «Sources of financing and fund requirements.»

Credit risk

Credit risk stems primarily from the potential inability of clients to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash and trade and other receivables and investments and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly and monthly analysis are reviewed to ensure that past due amounts are collectible and, if necessary, that measures are taken to limit credit risk.

Allowance for doubtful accounts and past due accounts receivable are reviewed at least quarterly and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly due to purchases in currencies other than the respective functional currencies of the Corporation and its subsidiaries. Management considers that fluctuations in the relative values of the US dollar and the Canadian dollar will not have a material impact on net earnings.

The most recent analysis of the Corporation shows that a $0.01 variation in the value of the Canadian dollar versus the United States currency would have an impact of $0.015 per share on the Corporation's results. This impact is purely on the books and does not affect cash flows.

The Corporation has certain investments in foreign operations (United States) whose net assets are exposed to foreign currency translation.

The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments. *(For further details, see Note 17 of Consolidated Financial Statements.)*

Interest rates

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. To mitigate those fluctuations, the Corporation uses derivative financial instruments, i.e. swap contracts designed to exchange variable rates for fixed rates. The Corporation does not use financial instruments for trading or speculative purposes. These contracts mature in various tranches between 2013 and 2016.

All things being equal, a favorable or unfavorable variation of 0.25% in the base rate would have an impact on results of approximately $0.013 per share.

The following table summarizes interest-rate swap agreements and their respective maturities:

			Maturity			
Initial nominal amount	Nominal amount at Dec. 31, 2012	Average fixed rate	**2013**	**2014**	**2015**	**2016**
120,000	40,000	3.68%	40,000	–	–	–
80,000	80,000	0.97%	–	–	–	80,000
200,000	120,000		40,000	–	–	80,000

(For more information on financial instruments, refer to Note 27 to the Consolidated Financial.)

ACCOUNTING POLICIES

Change in accounting policy

Change in inventory valuation method

In the fourth quarter of 2012, Management assessed the progress of the implementation of its new ERP system and its impact on inventory valuation.

The ERP system, which has now been implemented in the majority of the Corporation's Canadian and American warehouses and stores, permits the precise calculation of cost components for the Corporation's products, for each individual stock-keeping unit ("SKU"). The valuation is based on the average cost method.

The Corporation enacted the retrospective application of a change in inventory valuation method as the inventories had been evaluated using the first-in first-out method under the Corporation's prior systems. The impacts of newly available detailed individual cost components for elements such as vendor rebates, cash discounts and the allocation of handling charges were also reviewed and adjusted, as these elements had been estimated at a group level with the prior systems.

The retrospective application of the change in inventory valuation method decreased the value of inventory by $12,758 and $8,602 and income tax liabilities were reduced by $4,781 and $3,270, at December 31, 2011 and January 1, 2011, respectively. These amounts include the correction of an error resulting from the incorrect application of volume rebates against the inventory in transit of $463 at December 31, 2011 in addition to an amount of $1,172 at January 1 2011, both net of related income tax impacts.

Net earnings for the year ended December 31, 2011 decreased by $2,657 net of income taxes of $1,517, and retained earnings at January 1, 2011 decreased by $5,332 reflecting the cumulative impact on net earnings of prior periods. Basic and diluted earnings per share decreased by $0.12 for the year ended December 31, 2011.

New accounting policies

Financial statement presentation

In May 2012, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. These amendments require incremental disclosures regarding comparative information, retrospective restatement or reclassification or change in accounting policy. These amendments are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

In June 2011, the IASB issued an amendment that requires entities to group together items of other comprehensive income that might be reclassified to net earnings in subsequent periods separately from items that will not be reclassified to net earnings in subsequent periods. This amendment is effective for annual periods beginning on or after July 1, 2012.

The Corporation has elected to apply these amendments as of January 1, 2012. Accordingly, the disclosures required by these amendments have been incorporated into the Corporation’s Consolidated Financial Statements.

Stock-based compensation

The Corporation’s stock-based compensation includes an equity-settled common share stock option plan for management employees and officers and a cash-settled deferred unit plan.

The compensation expense for equity-settled plans is measured at fair value at the grant date using the Black-Scholes option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

For cash-settled stock-based compensation, the fair value of the expense is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation’s common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until settlement, with any changes in the fair value are recognized in the Statement of Consolidated Earnings (Loss).

Restructuring charges

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation’s obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation’s Statement of Consolidated Earnings (Loss).

Future accounting policies

Financial instruments – Presentation

In May 2012, the IASB issued an amendment to IAS 32 “Financial instruments: Presentation”. The amendment requires entities to account for income taxes relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 “Income Taxes”. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

Financial instruments – Disclosures

In December 2011, the IASB issued an amendment to IFRS 7 “Financial instruments: Disclosures”, requiring disclosure about all recognized financial instruments that are offset in accordance with IAS 32 or that are subject to enforceable netting arrangements. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

Consolidated financial statements

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements”. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and reporting policies of an entity as to obtain benefits from its activities. IFRS 10 replaces SIC-12 “Consolidation – Specific Purpose Entities”, and parts of IASB 27 “Consolidated and Separate Financial Statements”. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation has completed its assessment of IFRS 10, and does not expect the application of this standard to have a significant impact on its 2013 Consolidated Financial Statements.

Joint arrangements

In May 2011, the IASB issued IFRS 11 "Joint Arrangements" which supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the proportionate consolidation method to account for interests in joint ventures, but must apply the equity method under IFRS 11. Under the equity method, the Corporation's share of net assets, net income and other comprehensive income of joint ventures will be presented as one-line item on the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation has completed its assessment of IFRS 11, and does not expect the application of this standard to have a material impact on its 2013 Consolidated Financial Statements.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities". IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard confirms forward existing disclosures and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

Fair value measurement

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". IFRS 13 is a comprehensive standard for fair value measurements and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, and the measurement date. It also establishes disclosure requirements about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013, with prospective application.

Employee benefits

In June 2011, the IASB issued an amendment to IAS 19 "Employee Benefits" relating to the accounting for defined benefit pension plans and termination benefits. This amendment eliminates certain recognition and presentation choices currently permitted under IAS 19 and requires additional disclosures concerning the risks stemming from defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation has not yet assessed the impact of this amendment.

Financial instruments – Presentation

In December 2011, the IASB issued an amendment to IAS 32 "Financial Instruments: Presentation", focusing on the meaning of "currently has a legally enforceable right of set-off" and the application of simultaneous realisation and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation has not yet assessed the impact of the standard.

Financial instruments

In November 2009, the IASB issued IFRS 9 "Financial Instruments". It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

This standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

Use of accounting estimates and judgement

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the financial statements and notes to the financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the Consolidated Financial Statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated. Such estimates are based on Management's best knowledge of current events and actions that the Corporation may take in the future. Actual results may differ if such estimates are modified.

Information about the most significant uses of judgment, estimates and assumptions in the Corporation's Consolidated Financial Statements are provided in Notes 2 and 3 to the Consolidated Financial Statements; however the main estimates are described below.

Impairments of goodwill and other long-term assets

The Corporation uses estimates and assumptions to estimate future cash flows in the determination of the recoverable amounts of long-term assets and the fair value of cash generating units. The long-term nature of these estimates requires Management to make significant assumptions about future events and operating results. Significant judgment is also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variations between the estimated amounts and actual results may have a significant impact on the assets recorded in the Consolidated Statement of Financial Position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2012 and 2011, no impairment losses or reversals of previous losses have been recorded on the Corporation's long-term assets. Refer to Note 16 for further details.

Inventory valuation

The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and selling costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Vendor rebates

Uni-Select negotiates purchasing agreements with its suppliers that provide for the payment of volume rebates. Consequently, the purchasing agreements between Uni-Select and its Canadian merchants, as well as some of its United States clients, also provide for the payment of rebates based on these merchants' purchasing volume. Purchasing agreements with suppliers are periodically reviewed and discount levels may be adjusted on the basis of prevailing market conditions. Uni-Select may also periodically adjust the rebates granted to its clients on the basis of market conditions for the products concerned. Uni-Select records merchant rebates as a reduction of sales. The rebates earned from suppliers are recorded as a reduction of cost of sales. The net discount applicable to a targeted product is deducted from the year-end inventory valuation.

Allowance for surplus or obsolete

The Corporation records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventory to its net realizable value, is then entered as a reduction of inventory in the Consolidated Statement of Financial Position. Management must make estimates and judgments when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Income taxes

The Corporation uses its best judgment to determine its current and deferred tax liabilities. There are many factors in the normal course of business that affect the effective tax rate, since the ultimate tax outcome of some transactions and calculations is uncertain. The Corporation could, at any time, be subject to an audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which the Corporation has established a reserve is audited and resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the most probable outcome of known tax contingencies, although the final results are difficult to predict. If the outcome of a tax audit were to result in a treatment different from the one used by Management, the reserve may have to be adjusted.

The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized which would affect net earnings in a subsequent period.

Post-employment benefit obligations

Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its defined benefit obligations are based on rates of inflation and mortality that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases, retirement ages of employees and discount rates. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related defined benefit obligations. Estimation uncertainties exist, which may vary significantly in future appraisals of the Corporation's defined benefit obligations. Refer to Note 21 for details on the assumptions and estimates used for the years ended December 31, 2012 and 2011.

COMPLIANCE WITH IFRS

The following table presents performance measures used by the Corporation which are not defined by IFRS.

Organic Growth	This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, exchange-rate fluctuations and, when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
EBITDA	This measure represents operating profit before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on disposal of property and equipment, income taxes and net earnings attributable to non-controlling interests. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.
EBITDA margin	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.

Adjusted EBITDA, adjusted earnings and adjusted earnings per share	Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management is of the view that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information. These adjustments include, amongst others, the non-capitalizable costs related to the development and implementation of the ERP system, costs related to the closure and disposal of stores, restructuring charges, write-off of assets and others, as well as net gain on disposal of property and equipment. The exclusion of these items does not indicate that they are non-recurring.
Free cash flow	This measure corresponds to EBITDA adjusted for the following items: other non-cash items according to the statement of cash flows, interest paid, income taxes paid and acquisitions of property and equipment. Uni-Select considers free cash flow to be a good indicator of financial strength and of operating performance because it shows how much funds are available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flow excludes certain variations in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the statement of cash flows. Therefore it should not be considered as an alternative to the Consolidated Statement of Cash Flows, or as a measure of liquidity, but as additional information.
Total net indebtedness	This measure consists of bank indebtedness and long-term debt (including short-term portions), net of cash.
Ratio of total net debt to total invested capital	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total shareholders' equity.
Long-term debt to shareholders' equity	This ratio corresponds to the sum of long-term debt (including short-term portions) divided by the sum of convertible debentures and total shareholders' equity.
Funded debt to EBITDA	This ratio corresponds to total net debt to EBITDA.
Adjusted return on average total shareholders' equity	This ratio corresponds to net earnings adjusted for restructuring charges, write-off of assets and others, divided by average total shareholders' equity.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per C$1.00:

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Average for the period			
For statement of earnings	**1.00**	1.01	0.97
Period end			
For statement of financial position	**1.00**	0.98	1.00

As the Corporation uses the US dollar as its reporting currency, in its consolidated financial statements and in this document, unless otherwise indicated, results from its Canadian operations are translated into US dollars using the average rate for the period. Variances and explanations related to variations in the foreign exchange rate and the volatility of the Canadian dollar are therefore related to the translation in US dollars of the Corporation's Canadian operations' results and do not have an economic impact on its performance since most of the Corporation's consolidated sales and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to variations in foreign exchange rates is economically limited.

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management plans and performs an audit of the Corporation's internal controls related to the Canadian Securities Authorities National Instrument 52-109 *"Certification of Disclosure in Issuer's Annual and Interim Filings"* (NI 52-109). These audits are performed in accordance with the recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) control framework.

This year's efforts focused on updating the documentation and evaluating the effectiveness of the Corporation's disclosure controls and procedures and internal controls over financial reporting.

Disclosure controls and procedures

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at December 31, 2012, the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

Internal controls over financial reporting

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at December 31, 2012, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Over the years, a number of compensatory controls have been added to the various automated controls over the systems in place to offset the risks that could be caused by interfaces between systems that are being changed.

During the year ended December 31, 2012, no change to internal controls over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such controls.

OUTLOOK

Uni-Select will focus on improving its performance and has established the following priorities for 2013:

- Increasing recruitment of independent jobbers and installers to Uni-Select's banner and achieve its sales strategies to diversify and increase its market share;
- Pursuing the establishment of the optimization plan as well as the reduction of expenses;
- Reducing the level of indebtedness by even tighter management of the working capital.

Furthermore, with a final wave of implementation planned for 2013, this year will mark the completion of the ERP system deployment.

Through various initiatives and action plans, Management is confident that it will improve profitability and continue to reduce its debt in the following quarters.

Richard G. Roy, FCPA, FCA
President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA
Executive Vice President, Corporate Services
and Chief Financial Officer

Approved by the Board of Directors on February 28, 2013.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

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MANAGEMENT'S REPORT

Relating to the Consolidated Financial Statements of Uni-Select Inc.

The Consolidated Financial Statements and other financial information included in this Annual Report are the responsibility of the Corporation's Management. The Consolidated Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and have been approved by the Board of Directors on February 28, 2013.

Uni-Select Inc. maintains internal control systems which, according to Management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the Consolidated Financial Statements included in this Annual Report, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation's directors and external auditors, has reviewed the Consolidated Financial Statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The Consolidated Financial Statements have been audited by the Corporation's external auditors, Raymond Chabot Grant Thornton LLP.

Richard G. Roy, FCPA, FCA
President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA
Executive Vice President, Corporate Services and
Chief Financial Officer

Boucherville
February 28, 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Uni-Select Inc.

We have audited the accompanying consolidated financial statements of Uni-Select Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and January 1, 2011 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uni-Select Inc. as at December 31, 2012 and 2011 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Raymond Chabot Grant Thornton LLP[1]

Montréal (Canada)
February 28, 2013

[1] CPA auditor, CA public accountancy permit no. A105359

UNI-SELECT INC.
CONSOLIDATED STATEMENT OF EARNINGS
(In thousands of US dollars, except per share amounts)

	Year ended December 31,	
	2012	2011
	$	$
Sales	**1,821,173**	1,780,570
Earnings before the following items:	**90,010**	101,094
Finance costs, net (Note 6)	**18,364**	17,283
Depreciation and amortization (Note 7)	**27,026**	22,166
Restructuring charges, write-off of assets and others (Note 8)	**18,458**	3,277
Net gain on the disposal of property and equipment	**—**	(1,728)
Earnings before income taxes	**26,162**	60,096
Income taxes (Note 12)		
Current	**3,678**	(6,961)
Deferred	**(7,466)**	13,734
	(3,788)	6,773
Net earnings	**29,950**	53,323
Attributable to shareholders	**30,041**	53,888
Attributable to non-controlling interests	**(91)**	(565)
	29,950	53,323
Earnings per share (in US dollars) (Note 10)		
Basic	**1.39**	2.49
Diluted	**1.39**	2.47
Weighted average number of common shares outstanding (in thousands) (Note 10)		
Basic	**21,623**	21,646
Diluted	**21,624**	22,871

The Consolidated Statement of Earnings by nature is presented in Note 29.

The accompanying notes are an integral part of the Consolidated Financial Statements.

UNI-SELECT INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of US dollars)

	Year ended December 31,	
	2012	2011
	$	$
Net earnings	**29,950**	53,323
Other comprehensive income		
Items that may be subsequently reclassified to net earnings:		
Effective portion of changes in the fair value of cash flow hedges (net of income taxes of $496 ($254 in 2011))	**(1,330)**	(685)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income taxes of $650 ($875 in 2011))	**1,790**	2,372
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	**(4,916)**	5,064
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	**6,888**	(5,222)
	2,432	1,529
Items that will not be subsequently reclassified to net earnings:		
Actuarial gain (loss) on defined benefit pension plans (net of income tax recoveries of $201 (income tax expense of $2,601 in 2011)) (Note 21)	**548**	(7,069)
Other comprehensive income (loss)	**2,980**	(5,540)
Comprehensive income	**32,930**	47,783
Attributable to shareholders	**33,021**	48,348
Attributable to non-controlling interests	**(91)**	(565)
	32,930	47,783

The accompanying notes are an integral part of the Consolidated Financial Statements.

UNI-SELECT INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands of US dollars)

	Attributable to shareholders						Attributable to non-controlling interests (Note 9)	Total equity
	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (Note 22)	Total		
	$	$	$	$	$	$	$	$
Balance, January 1, 2011	**39,099**	**375**	**—**	**332,462**	**4,700**	**376,636**	**2,623**	**379,259**
Net earnings	—	—	—	53,888	—	53,888	(565)	53,323
Other comprehensive income	—	—	—	(7,069)	1,529	(5,540)	—	(5,540)
Comprehensive income	—	—	—	46,819	1,529	48,348	(565)	47,783
Contributions by and distributions to shareholders								
Share issuances (Note 19)	50,215	—	—	—	—	50,215	—	50,215
Share repurchases (Note 19)	(374)	—	—	(1,481)	—	(1,855)	—	(1,855)
Issuance of convertible debentures (Note 17)	—	—	1,687	—	—	1,687	—	1,687
Dividends	—	—	—	(10,528)	—	(10,528)	—	(10,528)
Stock-based compensation (Note 20)	—	77	—	—	—	77	—	77
	49,841	77	1,687	(12,009)	—	39,596	—	39,596
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Buy-back of non-controlling interests	—	—	—	—	—	—	(1,009)	(1,009)
Foreign exchange translation adjustment on non-controlling interests	—	—	—	—	—	—	(16)	(16)
Balance, December 31, 2011	**88,940**	**452**	**1,687**	**367,272**	**6,229**	**464,580**	**1,033**	**465,613**
Net earnings	—	—	—	30,041	—	30,041	(91)	29,950
Other comprehensive income	—	—	—	548	2,432	2,980	—	2,980
Comprehensive income	—	—	—	30,589	2,432	33,021	(91)	32,930
Contributions by and distributions to shareholders								
Share issuances (Note 19)	29	—	—	—	—	29	—	29
Share repurchases (Note 19)	(406)	—	—	(1,690)	—	(2,096)	—	(2,096)
Dividends	—	—	—	(11,269)	—	(11,269)	—	(11,269)
Stock-based compensation (Note 20)	—	38	—	—	—	38	—	38
	(377)	38	—	(12,959)	—	(13,298)	—	(13,298)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Buy-back of non-controlling interests	—	(98)	—	—	—	(98)	(955)	(1,053)
Foreign exchange translation adjustment on non-controlling interests	—	—	—	—	—	—	13	13
Balance, December 31, 2012	**88,563**	**392**	**1,687**	**384,902**	**8,661**	**484,205**	**—**	**484,205**

The accompanying notes are an integral part of the Consolidated Financial Statements.

UNI-SELECT INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of US dollars)

	Year ended December 31,	
	2012	2011
	$	$
OPERATING ACTIVITIES		
Net earnings	**29,950**	53,323
Non-cash items		
Depreciation and amortization (Note 7)	**27,026**	22,166
Income tax expense (Note 12)	**(3,788)**	6,773
Finance costs, net (Note 6)	**18,364**	17,283
Restructuring charges, write-off of assets and others (Note 8)	**15,037**	—
Net gain on the disposal of property and equipment	**—**	(1,728)
Other non-cash items	**4,285**	210
Changes in working capital items (Note 11a)	**33,066**	(30,210)
Interest paid	**(17,139)**	(14,865)
Income taxes paid	**(1,802)**	(9,158)
Cash flows from operating activities	**104,999**	43,794
INVESTING ACTIVITIES		
Business acquisitions (Note 9)	**(6,364)**	(255,608)
Repurchase of non-controlling interests (Note 9)	**(1,053)**	(636)
Proceeds from business disposals	**522**	157
Balances of purchase or sale price	**(596)**	737
Advances to merchant members	**(12,840)**	(11,073)
Receipts on investments and advances to merchant members	**3,597**	2,368
Acquisitions of property and equipment	**(12,987)**	(10,702)
Disposals of property and equipment	**687**	5,984
Acquisitions and development of intangible assets	**(15,424)**	(24,847)
Cash flows used in investing activities	**(44,458)**	(293,620)
FINANCING ACTIVITIES		
Net increase (decrease) in bank indebtedness	**196**	(10,681)
Increase in long-term debt	**54,949**	373,033
Repayment of long-term debt	**(103,052)**	(198,585)
Merchant members' deposits in the guarantee fund	**(152)**	147
Issuance of convertible debentures, net of issuance costs (Note 17)	—	49,741
Share issuances, net of issuance costs (Note 19)	**29**	49,596
Share repurchases (Note 19)	**(2,096)**	(1,855)
Dividends paid	**(11,063)**	(10,270)
Cash flows from (used in) financing activities	**(61,189)**	251,126
Effects of fluctuations in exchange rates on cash	**30**	(8)
Increase (decrease) in cash	**(618)**	1,292
Cash, beginning of period	**1,671**	379
Cash, end of period	**1,053**	1,671

The accompanying notes are an integral part of the Consolidated Financial Statements.

UNI-SELECT INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of US dollars)

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
ASSETS			
Current assets			
Cash	**1,053**	1,671	379
Trade and other receivables (Note 13)	**206,050**	198,987	157,718
Income taxes receivable	**27,680**	30,015	10,290
Inventory	**533,107**	566,488	395,734
Prepaid expenses	**11,569**	11,358	7,492
Total current assets	**779,459**	808,519	571,613
Investments and advances to merchant members	**27,856**	21,657	16,354
Property and equipment (Note 15)	**50,631**	43,134	32,472
Intangible assets (Note 16)	**153,572**	156,958	61,181
Goodwill (Note 16)	**187,686**	184,734	94,725
Deferred tax assets (Note 12)	**41,926**	24,243	23,850
TOTAL ASSETS	**1,241,130**	1,239,245	800,195
LIABILITIES			
Current liabilities			
Bank indebtedness	**702**	497	11,455
Trade and other payables	**313,698**	298,686	190,525
Dividends payable	**2,815**	2,552	2,294
Current portion of long-term debt and merchant members' deposits in the guarantee fund	**19,166**	15,694	269
Total current liabilities	**336,381**	317,429	204,543
Long-term employee benefit obligations (Notes 20, 21)	**26,903**	27,319	15,413
Long-term debt (Note 17)	**290,869**	337,319	170,610
Convertible debentures (Note 17)	**49,099**	47,225	—
Merchant members' deposits in the guarantee fund (Note 18)	**7,768**	7,757	7,723
Derivative financial instruments (Note 27)	**1,891**	2,505	4,816
Deferred tax liabilities (Note 12)	**44,014**	34,078	17,831
TOTAL LIABILITIES	**756,925**	773,632	420,936
EQUITY			
Share capital (Note 19)	**88,563**	88,940	39,099
Contributed surplus	**392**	452	375
Equity component of the convertible debentures (Note 17)	**1,687**	1,687	—
Retained earnings	**384,902**	367,272	332,462
Accumulated other comprehensive income (Note 22)	**8,661**	6,229	4,700
TOTAL SHAREHOLDERS' EQUITY	**484,205**	464,580	376,636
Non-controlling interests	**—**	1,033	2,623
TOTAL EQUITY	**484,205**	465,613	379,259
TOTAL LIABILITIES AND EQUITY	**1,241,130**	1,239,245	800,195

The accompanying notes are an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors,

Robert Chevrier, FCPA, FCA
Director

Jean Guénette, CPA, CA
Director

1 – GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. (the "Company") is a corporation domiciled in Canada and duly incorporated and governed by the Business Corporations Act (Québec). The Company is the parent company of a group of entities which includes the Company and its subsidiaries (collectively, the "Corporation"). The Corporation is a major distributor of replacement parts, equipment, tools, accessories and paint and related products for motor vehicles. The Corporation's registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

The Consolidated Financial Statements of the Corporation present the operations and financial position of the Company and all of its subsidiaries as well as the Corporation's interests in jointly controlled entities.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol UNS.

2 – BASIS OF PRESENTATION

Statement of compliance
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies applied for the year ended December 31, 2012 comply with IFRS.

The Consolidated Financial Statements were approved and authorized for issuance by the Company's Board of Directors on February 28, 2013.

Basis of measurement
The Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value, provisions which are measured based on the best estimates of the expenditures required to settle the obligation and the post-employment benefit obligations which are recognized as the net total of the plan assets and unrecognized past service cost less the present value of the defined benefit obligation.

Functional and presentation currency
Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for entities located in Canada and the US dollar for entities located in the United States of America. The Consolidated Financial Statements are presented in US dollars, which is the Corporation's presentation currency. Management considers that despite the Canadian dollar being the functional currency of the parent company, the US dollar is more representative as the presentation currency, since more than 70% of the sales originate from the United States of America.

Use of accounting estimates and judgments
The preparation of financial statements in accordance with IFRS requires management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the financial statements and notes to the financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in Note 3 to the Consolidated Financial Statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their fair values based on estimated future cash flows. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See Note 9 for details on the business acquisitions completed in the last two periods.

Sales recognition: Estimates are used in determining the amounts to be recorded for rights of return, guarantees, and trade and volume discounts. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and selling costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives of property and equipment and intangible assets with finite useful lives. Refer to Note 3 for further details.

2 – BASIS OF PRESENTATION (CONTINUED)

Leases: The Corporation uses judgment in determining the classification of its leased assets at inception of the lease. Refer to Note 3 for further details.

Impairments of goodwill and other long-term assets: The Corporation uses estimates and assumptions to estimate future cash flows in the determination of the recoverable amounts of long-term assets and the fair value of cash generating units ("CGUs"). The long-term nature of these estimates requires Management to make significant assumptions about future events and operating results. Significant judgment is also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variations between the estimated amounts and actual results may have a significant impact on the assets recorded in the Consolidated Statement of Financial Position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2012 and 2011, with the exception of the impairment losses recorded as part of the Corporation's distribution network consolidation plan described in Note 8, no impairment losses or reversals of previous losses have been recorded on the Corporation's long-term assets. Refer to Notes 8 and 16 for further details.

Income taxes: The Corporation estimates its deferred income tax assets and liabilities based on differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its defined benefit obligations are based on inflation rates, discount rates and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related defined benefit obligations. Estimation uncertainties exist, which may vary significantly in future appraisals of the Corporation's defined benefit obligations. Refer to Note 21 for details on the assumptions and estimates used for the years ended December 31, 2012 and 2011.

Impairment of financial assets (including receivables): The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with that asset. Estimates and assumptions are used in determining the amount of the impairment, and are based on historical experience and Management's best estimates. These assumptions and estimates are reviewed on a regular basis. The allowance for doubtful accounts associated with trade receivables requires significant judgment in determining the collectability of its trade receivables. Estimates are used in determining the amount recoverable from impaired receivables, based on customer-specific historical experience. Refer to Note 3 for further details.

Hedge accounting: At the inception of a hedging relationship, the Corporation uses judgment in determining the probability that a forecast transaction will occur. The Corporation also uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

3 – ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, unless otherwise indicated.

Basis of consolidation

(i) Business combinations
The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

The Corporation measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities that the Corporation incurs in connection with business acquisition efforts are expensed as incurred.

Contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the Consolidated Statement of Earnings.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity and to obtain the benefits from its activities. The Consolidated Financial Statements include the accounts of the subsidiaries from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been modified where necessary to align them with the policies adopted by the Corporation.

(iii) Joint ventures
Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. The Consolidated Financial Statements include the pro-rata share of the assets, liabilities, revenues and expenses of the joint ventures in which the Corporation holds an interest, from the date that joint control commences until the date that joint control ceases. This share is accounted for according to the proportionate consolidation method on a line by line basis.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealized revenue and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Sales recognition
The Corporation recognizes sales upon shipment of goods at the fair value of the consideration received or receivable, net of right of return provisions and guarantees and other trade and volume discounts, when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable and the amount of revenue can be measured reliably.

The Corporation offers its customers a right of return on the sale of goods and certain guarantees. At the time of sales recognition, the Corporation records provisions for the right of return and guarantees which are based on the Corporation's historical experience and Management's assumptions.

Inventory
Inventory consists of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method and includes expenditures incurred in acquiring the inventory, net of trade discounts, rebates and other similar items received or receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Investments in customers
The Corporation makes cash, inventory and equipment investments in certain customers as consideration for multi-year purchase commitments. These investments are recorded at their net realizable value and are amortized as a reduction of sales on a straight-line basis over the duration of the purchase commitment.

In the event that a customer breaches the commitment, the remaining unamortized investment net of liquidated damages received, is immediately recorded as an expense in net earnings.

3 – ACCOUNTING POLICIES (CONTINUED)

Property and equipment
Property and equipment is measured at its cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset of its intended use. The cost less residual value of property and equipment is amortized over the estimated useful lives in accordance with the following methods, annual rates and periods:

	Methods	Periods
Paving	Diminishing balance	12 years
Buildings	Straight-line and diminishing balance	20 to 40 years
Furniture and equipment	Straight-line and diminishing balance	5 to 10 years
System software and automotive equipment	Diminishing balance	3 to 5 years
Computer equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Lease term
Vehicles under finance leases	Straight-line	Lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets
The Corporation records as internally-generated intangible asset the costs directly attributable to the acquisition and development of an enterprise resource planning software (“ERP”) and the corresponding borrowing costs.

In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses. They are not amortized but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods, annual rates and periods:

	Methods	Periods
Customer relationships	Straight-line	4 to 20 years
Other software	Straight-line and diminishing balance	3 to 8 years

Amortization methods, useful lives and residual values are reviewed at each reporting date. All depreciation and amortization charges are included within the Corporation’s Consolidated Statement of Earnings.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Refer to business combinations (Note 3(i)) for information on how goodwill is initially determined. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

Impairment of goodwill and other long-term assets
Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the asset’s or CGU’s recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3 – ACCOUNTING POLICIES (CONTINUED)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill is not reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases
Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, assets acquired under finance leases are recorded in "Property and equipment" at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a finance lease obligation within "Long-term debt". In subsequent periods, the asset is depreciated over the lease term and interest on the obligation is recorded in "Finance costs, net" in the Consolidated Statement of Earnings.

Other leases are classified as operating leases and the leased assets are not recognized in the Corporation's Consolidated Statement of Financial Position. Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease.

The gain on a sale leaseback arrangement classified as an operating lease is recognized immediately to net earnings if the sale price is at or below fair value. The gain on a sale leaseback arrangement classified as a finance lease is deferred and amortized over the lease term.

Income taxes
Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax assets and liabilities for financial reporting purposes are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the reporting date for the years in which the temporary differences are expected to reverse.

However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures is not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities that intend to settle current tax liabilities and assets on a net basis, and their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date. They are reduced to the extent that it is no longer probable that the related tax benefit will be realized and previously unrecognized deferred tax assets are recognized to the extent that it becomes probable that they will be recovered.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3 – ACCOUNTING POLICIES (CONTINUED)

Foreign currency

(i) Foreign currency transactions and translation of financial statements

The financial statements of each of the Corporation's subsidiaries are measured using the entity's functional currency as described in Note 2. Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of the entity are recognized in the Consolidated Statement of Earnings, with the exception of foreign exchange gains or losses on debt designated as a hedging instrument of a net investment in foreign operations which are included in other comprehensive income and are transferred to net earnings only when a reduction in the net investment in these foreign subsidiaries is realized. A foreign operation is an entity that is a subsidiary, associate or joint venture of the reporting entity with a functional currency differing from the reporting entity's functional currency.

The assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rate prevailing at the reporting date upon consolidation. The revenues and expenses of Canadian operations are translated into the presentation currency at the average exchange rates at the reporting date. The exchange rate prevailing at December 31, 2012 was C$0.997 for US$1 (C$1.018 for US$1 at December 31, 2011). The average exchange rate for the year ended December 31, 2012 was C$1.000 for US$1 (C$0.989 for US$1 for 2011).

Foreign currency differences are recognized and presented in other comprehensive income and in the foreign currency translation reserve in equity. For a non-wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

(ii) Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the cumulative translation account balance. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on disposal.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Long-term employee benefit obligations

Long-term employee benefit obligations include post-employment benefit obligations, stock-based compensation obligations and other obligations related to long-term employee remuneration or benefits.

(i) Post-employment benefit obligations

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Corporation contributes to various plans that are accounted for as defined contribution plans. Contributions to the plans are recognized as an expense in the period that employee services are rendered.

3 – ACCOUNTING POLICIES (CONTINUED)

A defined benefit pension plan is a post-employment pension plan other than a defined contribution plan. The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less any unrecognized past service costs and the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of expected plan investment performance, salary increases, retirement ages and mortality rates of members and discount rate;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in net earnings;
- Actuarial gains or losses arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The actuarial gains or losses are recognized immediately in other comprehensive income and retained earnings in the Consolidated Financial Statements.

Post-employment benefits expense is recorded under "Employee benefits" in the Consolidated Financial Statements.

(ii) Stock-based compensation
The Corporation's stock-based compensation includes an equity-settled common share stock option plan for directors, management employees and officers and a cash-settled deferred share unit plan, the latter approved by the Board of Directors on February 28, 2013, effective as of the year 2012 for directors.

The compensation expense for equity-settled plans is measured as the fair value at the grant date using the binomial option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

For cash-settled stock-based compensation, the fair value of the expense is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until settlement, with any changes in the fair value recognized in the Consolidated Statement of Earnings.

Restructuring charges
Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's Consolidated Statement of Earnings.

Financial instruments

(i) Non derivative financial instruments
Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial assets and liabilities are initially measured at fair value plus transaction costs except for financial assets and liabilities carried at fair value through net earnings, which are initially measured at fair value and their subsequent measurement depends on their classification, as described below. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation.

3 – ACCOUNTING POLICIES (CONTINUED)

The Corporation has made the following classifications:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Cash and trade receivables are classified as loans and receivables. After initial recognition, these are measured at amortized cost using the effective interest method, less any impairment.
- Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Investments and advances to merchant members are classified as available-for-sale financial assets, and are measured at cost less any impairment charges, as their fair values cannot be reliably estimated. Impairment charges are recognized in net earnings.
- Bank indebtedness, trade and other payables, dividends payable, long-term debt, convertible debentures and merchant members' deposits in the guarantee fund are classified as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

(ii) Impairment of financial assets
A financial asset is impaired if objective evidence indicates that an event has occurred after the initial recognition of the asset having a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer may request bankruptcy protection or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in net earnings. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through net earnings.

(iii) Compound financial instruments
Compound financial instruments issued comprise of convertible debentures that can be converted into common shares of the Corporation at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized as the difference, net of income taxes, between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. When and if the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. If the conversion option expires without being exercised, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Interest, dividends, gains and losses relating to the financial liability are recognized in net earnings.

(iv) Derivative financial instruments and hedge accounting
A specific accounting treatment is required for derivatives designated as hedge instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through net earnings.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes assessments, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80 and 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivative financial instruments are utilized to reduce interest rate risk on the Corporation's debt. The Corporation does not use financial instruments for trading or speculative purposes. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3 – ACCOUNTING POLICIES (CONTINUED)

Cash flow hedges
The Corporation's policy is to formally designate derivative financial instruments as hedging items of cash flow hedges of a highly probable forecast interest expense. The effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term inception and over the term of the instrument, as for the entire term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

Interest rate swap agreements are used to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. The interest rate swap agreements involve the periodic exchange of interest payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of hedged interest expense on debt. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecast interest expense affects net earnings. If the forecast interest expense is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in net earnings. In other cases, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

(v) Finance income and finance costs
Finance income comprises interest income on cash and on advances from merchant members. Finance income is recognized as it accrues in net earnings, using the effective interest method.

Finance costs comprise interest on bank indebtedness, long-term debt and on merchant members' deposits in the guarantee fund, nominal and accreted interest on convertible debentures, amortization of transaction costs incurred in conjunction with debt transactions, reclassification of realized losses to net earnings on derivative financial instruments, the unwinding of the discount on provisions as well as impairment losses on financial assets. Borrowing costs that are not directly attributable to the acquisition or development of qualifying assets are recognized in net earnings using the effective interest method. Borrowing costs directly attributable to the development of the enterprise resource planning software (i.e. qualifying asset) are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from share capital, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital and retained earnings. Repurchased shares are classified as treasury shares and are presented as a deduction from share capital. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in retained earnings.

Accumulated other comprehensive income
Accumulated other comprehensive income is comprised of the following separate components of equity.

Cumulative translation account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian operations to the Corporation's presentation currency, as well as from the translation of debt designated as a hedge of the Corporation's net investment in a foreign operation.

Accumulated changes in the fair value of derivative financial instrument designated as cash flow hedge
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet been settled.

Retained earnings
Accumulated actuarial gains and losses on defined benefit plans
The net accumulated actuarial gains and losses comprise all actuarial gains and losses, net of income taxes, on the defined benefit plans recorded after the date of transition to IFRS. These gains and losses are applied as a reduction of retained earnings.

Contributed surplus
Contributed surplus includes charges related to stock options not yet exercised and premiums paid on the repurchase of the Corporation's common shares.

3 – ACCOUNTING POLICIES (CONTINUED)

Earnings per share and information pertaining to the number of shares outstanding
Earnings per share is calculated by dividing net earnings available for common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The Corporation has two categories of dilutive potential common shares: convertible debentures and stock options. If, after applying the “if-converted” method, it is determined that the conversion has a dilutive effect, the convertible debentures are assumed to have been converted into common shares and net earnings is adjusted to eliminate the interest charge net of taxes. For the stock options, the number of shares that could have been acquired at fair value (at the average annual market share price of the Corporation’s shares) based on the monetary value of the subscription rights attached to outstanding stock options is determined and is compared with the number of shares that would have been issued assuming the exercise of the stock options. The number of dilutive potential common shares is determined independently for each period presented.

4 – CHANGES IN ACCOUNTING POLICIES

CHANGE IN INVENTORY VALUATION METHOD

In the fourth quarter of 2012, Management assessed the progress of the implementation of its new ERP system and its impact on inventory valuation.

The ERP system, which has now been implemented in the majority of the Corporation’s Canadian and American warehouses and stores, permits the precise calculation of cost components for the Corporation’s products, for each individual stock-keeping unit (“SKU”). The valuation is based on the weighted average cost method.

The Corporation enacted the retrospective application of a change in inventory valuation method as the inventories had been evaluated using the first-in first-out method under the Corporation’s prior systems. The impacts of newly available detailed individual cost components for elements such as vendor rebates, cash discounts and the allocation of handling charges were also reviewed and adjusted, as these elements had been estimated at a group level with the prior systems.

The retrospective application of the change in inventory valuation method decreased the value of inventory by $12,758 and $8,602 and income tax liabilities were reduced by $4,781 and $3,270, at December 31, 2011 and January 1, 2011, respectively. These amounts include the correction of an error resulting from the incorrect application of volume rebates against the inventory in transit of $463 at December 31, 2011 in addition to an amount of $1,172 at January 1 2011, both net of related income tax impacts.

Net earnings for the year ended December 31, 2011 decreased by $2,657 net of income taxes of $1,517, and retained earnings at January 1, 2011 decreased by $5,332 reflecting the cumulative impact on net earnings of prior periods. Basic and diluted earnings per share decreased by $0.12 for the year ended December 31, 2011.

ADOPTED IN 2012

(i) Financial statement presentation
In May 2012, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. These amendments require incremental disclosures regarding comparative information, retrospective restatement or reclassification or change in accounting policy. These amendments are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

In June 2011, the IASB issued an amendment that requires entities to group together items of other comprehensive income that may be reclassified to net earnings in subsequent periods separately from items that will not be reclassified to net earnings in subsequent periods. This amendment is effective for annual periods beginning on or after July 1, 2012.

The Corporation has elected to apply these amendments as of January 1, 2012. Accordingly, the disclosures required by these amendments have been incorporated into the Corporation’s Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

(i) Financial instruments - Presentation
In May 2012, the IASB issued an amendment to IAS 32 “Financial instruments: Presentation”. The amendment requires entities to account for income taxes relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 “Income Taxes”. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

4 – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Financial Instruments – Disclosures
In December 2011, the IASB issued an amendment to IFRS 7 “Financial instruments: Disclosures”, requiring disclosure about all recognized financial instruments that are offset in accordance with IAS 32 or that are subject to enforceable netting arrangements. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

(iii) Consolidated financial statements
In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements”. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and reporting policies of an entity as to obtain benefits from its activities. IFRS 10 replaces SIC-12 “Consolidation – Specific Purpose Entities”, and parts of IAS 27 “Consolidated and Separate Financial Statements”. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation has completed its assessment of IFRS 10, and does not expect the application of this standard to have a significant impact on its 2013 Consolidated Financial Statements.

(iv) Joint arrangements
In May 2011, the IASB issued IFRS 11 “Joint Arrangements” which supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers”. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently in the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. The Corporation currently uses the proportionate consolidation method to account for interests in joint ventures, but must apply the equity method under IFRS 11. Under the equity method, the Corporation’s share of net assets, net income and other comprehensive income of joint ventures will be presented as one-line item on the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation has completed its assessment of IFRS 11, and does not expect the application of this standard to have a material impact on its 2013 Consolidated Financial Statements.

(v) Disclosure of interests in other entities
In May 2011, the IASB issued IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard confirms forward existing disclosures and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation will incorporate the disclosure requirements into its Consolidated Financial Statements beginning in 2013.

(vi) Fair value measurement
In May 2011, the IASB issued IFRS 13 “Fair Value Measurement”. IFRS 13 is a comprehensive standard for fair value measurements and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, and the measurement date. It also establishes disclosure requirements about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013, with prospective application.

(vii) Employee benefits
In June 2011, the IASB issued an amendment to IAS 19 “Employee Benefits” relating to the accounting for defined benefit pension plans and termination benefits. This amendment eliminates certain recognition and presentation choices currently permitted under IAS 19 and requires additional disclosures concerning the risks stemming from defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation has not yet assessed the impact of this amendment.

(viii) Financial Instruments – Presentation
In December 2011, the IASB issued an amendment to IAS 32 “Financial Instruments: Presentation”, focusing on the meaning of “currently has a legally enforceable right of set-off” and the application of simultaneous realisation and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation has not yet assessed the impact of the standard.

(In thousands of US dollars, except per share amounts and percentages)

4 – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ix) Financial Instruments
In November 2009, the IASB issued IFRS 9 "Financial Instruments". It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

This standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

5 – INTERESTS IN JOINT VENTURES

The Corporation's proportionate shares of its interests in joint ventures were as follows:

	December 31,	
	2012	2011
	$	$
Sales	**23,582**	19,202
Earnings before finance costs and depreciation and amortization	**1,746**	1,101
Net earnings	**1,569**	1,016
Current assets	**8,310**	8,165
Long-term assets	**1,680**	1,509
Current liabilities	**2,688**	2,488
Long-term liabilities	**569**	1,203

The Corporation's sales include sales to joint ventures in the amount of $10,236 for the year ended December 31, 2012 ($7,818 for 2011).

The Corporation's share of its joint ventures' commitments represents $2,223 for the year ended December 31, 2012 ($1,782 for 2011).

6 – FINANCE COSTS, NET

	Year ended December 31,	
	2012	2011
	$	$
Interest on bank indebtedness	**7**	944
Interest on long-term debt	**11,026**	10,232
Interest on convertible debentures	**3,054**	3,046
Accreted interest on convertible debentures	**444**	443
Amortization of financing costs	**1,502**	1,464
Interest on merchant members' deposits in the guarantee fund	**197**	153
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges	**2,440**	3,247
Total finance costs	**18,670**	19,529
Capitalized interest	**—**	(1,886)
Interest income from merchant members	**(306)**	(360)
Total finance costs, net	**18,364**	17,283

(In thousands of US dollars, except per share amounts and percentages)

7 – DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2012	2011
	$	$
Property and equipment	**12,993**	11,940
Intangible assets	**14,033**	10,226
Total depreciation and amortization	**27,026**	22,166

8 – RESTRUCTURING CHARGES, WRITE-OFF OF ASSETS AND OTHERS

On August 7, 2012, the Company's Board of Directors approved a distribution network consolidation plan which also includes a revision of the operating structure and the reduction of administrative expenses. The consolidation plan is expected to generate annual cost savings through the consolidation and optimization of the Corporation's distribution network. The implementation of the consolidation plan, expected to be completed in phases, began in 2012. For the year ended December 31, 2012, the Corporation recognized restructuring charges of $13,865 related to site closure and consolidation costs, which include initiatives to liquidate redundant inventory, employee termination benefits, the recognition of future lease obligations and write-downs of certain property and equipment to their net realizable value.

For the year ended December 31, 2012, the Corporation also recorded a write-off of $2,185 in the value of certain software which will no longer be used in its operations.

Restructuring charges, write-off of assets and others also includes acquisition-related costs stemming from business acquisition efforts undertaken by the Corporation. For the year ended December 31, 2012, the Corporation recorded acquisition-related costs of $2,408 ($3,277 for 2011) related to these activities.

At December 31, 2012, $4,392 of these charges are presented as current liabilities within "Trade and other payables" in the Corporation's Consolidated Statement of Financial Position.

9 – BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS

Business acquisitions

2012

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the year ended December 31, 2012, the Corporation acquired the assets and liabilities of three companies operating in the United States of America and three companies operating in Canada. The total cost of these acquisitions of $6,239, of which $296 was payable at December 31, 2012, was allocated to the assets and liabilities based on their fair values. The Corporation did not incur any acquisition-related costs for these transactions, and the contributions to sales and net earnings were immaterial.

The fair value amounts recognized for the acquirees' assets and liabilities at the acquisition date were $6,926 for the current assets, $1,339 for the non-current assets, $3,673 for the current liabilities, and $1,647 for goodwill, all of which is expected to be deductible for tax purposes. These purchase price allocations are preliminary. The final allocations of the purchase price could result in changes to the amounts recognized.

During the year ended December 31, 2012, the Corporation finalized the purchase price allocation of a company acquired in 2011 in Canada, which resulted in an increase of $421 in goodwill.

2011

On January 11, 2011, as part of its strategy of growth through acquisitions, the Corporation proceeded to the acquisition of all of the outstanding shares of FinishMaster, Inc., ("FinishMaster"), a company based in the United States of America. FinishMaster was the largest North American independent distributor of automotive paints, coatings and paint-related accessories to the automotive collision industry. The purchase price, which was settled in cash, amounted to $221,774, including the assumption of a net debt of $57,565.

Acquisition-related costs amounting to $2,976, excluded from the consideration transferred, were recognized as an expense in the Consolidated Statement of Earnings.

The purchase price allocation was presented in a table which follows. The allocation was finalized during the fourth quarter of 2011, resulting in an increase of $2,281 in goodwill.

Goodwill recognized on the acquisition was mainly attributable to synergies expected to be derived from the business combination and the value of FinishMaster's workforce which cannot be recognized as an intangible asset. The goodwill recognized on this business combination was not expected to be deductible for tax purposes.

(In thousands of US dollars, except per share amounts and percentages)

9 – BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS (CONTINUED)

For the year ended December 31, 2011, the acquisition contributed sales of $452,303 and net earnings of $13,075, net of financing and related acquisition costs. If the acquisition had occurred on January 1, 2011 rather than January 11, 2011, Management estimates that additional sales and net earnings would have been $11,847 and $8, respectively. In determining these amounts, Management assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2011.

At the date of acquisition, FinishMaster occupied facilities and used equipment and vehicles under operating lease agreements requiring rental payments approximating $8,570 for 2012, $6,659 for 2013, $5,015 for 2014, $3,551 for 2015, $2,323 for 2016 and $3,239 for 2017 and subsequent years.

On October 26, 2011, the Corporation completed the acquisition of certain assets of Parts Depot Inc., in Florida including thirty-nine corporate stores and five distribution centers for a purchase price of $31,241. For the year ended December 31, 2011, the acquisition contributed sales of $14,786 and recorded a loss of $102, net of related acquisition costs. Furthermore, additional margin on inventory purchased at a discount price contributed $1,781 to net earnings. The fair value of net assets acquired and exceeding the purchase price paid contributed an additional $1,702 to net earnings. Acquisition-related costs amounting to $301, excluded from the consideration transferred, had been recognized as an expense in the Consolidated Statement of Earnings.

During the year ended December 31, 2011, the Corporation completed acquisitions of assets and liabilities of other companies operating in the United States of America and in Canada. The total cost of these acquisitions of $4,248 was allocated to the acquired assets and liabilities based on their fair values. The Corporation did not incur any external acquisition-related costs and the contributions to sales and net earnings from these acquisitions were immaterial.

The fair value amounts recognized for each class of the acquirees' assets and liabilities at the acquisition dates were as follows:

					December 31, 2011
			FinishMaster Inc.	Others	Total
	Pre-acquisition carrying amounts	Adjustment to fair value	Fair value at acquisition date	Fair value at acquisition date	Fair value at acquisition date
	$	$	$	$	$
Cash	1,473	—	1,473	182	1,655
Trade and other receivables	38,715	—	38,715	6,991	45,706
Inventory	85,890	—	85,890	27,528	113,418
Prepaid expenses	12,429	(5,639)	6,790	474	7,264
Total current assets	138,507	(5,639)	132,868	35,175	168,043
Property and equipment	9,707	—	9,707	1,621	11,328
Intangible assets	110,239	(35,339)	74,900	3,459	78,359
Deferred tax assets	7,066	2	7,068	—	7,068
Other long-term assets	10,023	(10,023)	—	—	—
Total non-current assets	137,035	(45,360)	91,675	5,080	96,755
Trade and other payables	79,016	225	79,241	2,092	81,333
Current portion of long-term debt	1,434	—	1,434	—	1,434
Total current liabilities	80,450	225	80,675	2,092	82,767
Long-term debt	1,540	—	1,540	—	1,540
Deferred tax liabilities	11,564	(493)	11,071	1,135	12,206
Total long-term liabilities	13,104	(493)	12,611	1,135	13,746
Net identifiable assets and liabilities			131,257	37,028	168,285
Goodwill on acquisition			90,517	(1,539)	88,978
Total consideration			221,774	35,489	257,263
Cash acquired			1,473	182	1,655
Net cash outflow on the acquisitions			220,301	35,307	255,608

(In thousands of US dollars, except per share amounts and percentages)

9 – BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS (CONTINUED)

Repurchase of non-controlling interests

2012
During the year ended December 31, 2012, the Corporation repurchased the remaining non-controlling interests in its subsidiary Uni-Select Pacific Inc. The total consideration of $1,053 was based on the carrying amounts in accordance with the shareholders' agreement.

2011
During the year ended December 31, 2011, in connection with five separate transactions, the Corporation increased its interest by 9.61% in its subsidiary, Uni-Select Pacific Inc., for a total consideration of $1,009, of which $373 was payable at December 31, 2011. The consideration paid was based on the carrying amounts in accordance with the shareholders' agreement. As a result of these transactions, the Corporation's interest in its subsidiary increased from 78.85% to 88.46%.

10 – EARNINGS PER SHARE

The reconciliation of basic and diluted earnings per share is as follows:

	Year ended December 31,	
	2012	2011
	$	$
Net earnings attributable to shareholders considered for basic earnings per share	**30,041**	53,888
Conversion impact of the convertible debentures [1]	**—**	2,790
Net earnings attributable to shareholders considered for diluted earnings per share	**30,041**	56,678
Weighted average number of common shares outstanding for basic earnings per share	**21,623,300**	21,645,664
Conversion impact of the convertible debentures [1]	**—**	1,218,853
Impact of the stock options [1]	**256**	6,624
Weighted average number of common shares outstanding for diluted earnings per share	**21,623,556**	22,871,141
Earnings per share		
Basic	**1.39**	2.49
Diluted	**1.39**	2.47

(1) For the year ended December 31, 2012, 60,000 stock options and the convertible debentures were excluded from the calculation of diluted earnings per share as the exercise price of the options and the convertible debentures were higher than the average share market price of the voting shares.

11 – INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

a) The changes in working capital are detailed as follows:

	Year ended December 31,	
	2012	2011
	$	$
Trade and other receivables	**(807)**	3,640
Inventory	**29,677**	(59,766)
Prepaid expenses	**(159)**	3,827
Trade and other payables	**4,355**	22,089
Total changes in working capital	**33,066**	(30,210)

b) At December 31, 2012, acquisitions of property and equipment and intangible assets of $1,986 and $732, respectively, ($533 and $4,167 at December 31, 2011) remained unpaid and did not have an impact on cash.

(In thousands of US dollars, except per share amounts and percentages)

12 – INCOME TAXES

Income tax expense

	Year ended December 31,	
	2012	2011
	$	$
Current tax expense		
Current period	**3,741**	(6,821)
Adjustment for prior periods	**(63)**	31
Recognition of previously unrecognized tax losses	**—**	(171)
	3,678	(6,961)
Deferred tax expense		
Origination and reversal of temporal differences	**(7,236)**	13,749
Reduction in tax rate	**—**	12
Change in unrecognized deductible temporary differences	**125**	187
Recognition of previously unrecognized tax losses	**(355)**	(214)
	(7,466)	13,734
Total income tax expense	**(3,788)**	6,773

Reconciliation of the income tax expense

A reconciliation of income taxes at the combined Canadian statutory income tax rates applicable in the jurisdictions in which the Corporation operates to the amount of income taxes reported in the Consolidated Statement of Earnings is presented as follows:

	Year ended December 31,	
	2012	2011
	$	$
Income taxes at the Corporation's statutory tax rate – 26.74% (28.31% in 2011)	**6,996**	17,013
Effect of tax rates in foreign jurisdictions	**2,575**	4,478
Tax benefit from a financing structure	**(12,785)**	(14,256)
Losses taxable at lower rates in future years	**—**	(419)
Capital losses taxable at a lower rate	**—**	(454)
Non-deductible expenses	**743**	787
Recognition of previously unrecognized temporary differences	**(669)**	—
Others	**(648)**	(376)
Income taxes reported in the Consolidated Statement of Earnings	**(3,788)**	6,773

(In thousands of US dollars, except per share amounts and percentages)

12 – INCOME TAXES (CONTINUED)

Recognized deferred tax assets and liabilities

							December 31, 2012
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Recognized in equity	Acquisitions and disposals	Effects of fluctuations in exchange rates	Closing balance
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-capital loss carryforwards	**2,454**	**13,845**	**—**	**—**	**—**	**(47)**	**16,252**
Taxable income during the coming year	**(7,479)**	**1,988**	**—**	**—**	**—**	**86**	**(5,405)**
Allowances deductible during the coming year	**12,269**	**6,738**	**—**	**—**	**—**	**1**	**19,008**
Property and equipment	**(5,778)**	**(9,273)**	**—**	**—**	**—**	**(327)**	**(15,378)**
Pension plan allowance	**6,357**	**62**	**(201)**	**—**	**—**	**297**	**6,515**
Financing costs	**(25)**	**(88)**	**—**	**—**	**—**	**(4)**	**(117)**
Cash flow hedges	**679**	**(650)**	**496**	**—**	**—**	**(3)**	**522**
Allowance for performance incentives	**881**	**18**	**—**	**—**	**—**	**—**	**899**
Intangible assets and goodwill	**(18,577)**	**(5,284)**	**—**	**—**	**—**	**(1)**	**(23,862)**
Convertible debentures	**(443)**	**—**	**—**	**—**	**—**	**(10)**	**(453)**
Others	**(173)**	**110**	**—**	**—**	**—**	**(6)**	**(69)**
Income tax assets (liabilities)	**(9,835)**	**7,466**	**295**	**—**	**—**	**(14)**	**(2,088)**

							December 31, 2011
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Recognized in equity	Acquisitions and disposals	Effects of fluctuations in exchange rates	Closing balance
	$	$	$	$	$	$	$
Non-capital loss carryforwards	5,380	(2,962)	—	—	41	(5)	2,454
Taxable income during the coming year	(8,741)	1,151	—	—	—	111	(7,479)
Allowances deductible during the coming year	9,030	(3,671)	—	—	6,894	16	12,269
Property and equipment	(4,420)	(1,361)	—	—	(53)	56	(5,778)
Pension plan allowance	4,199	(340)	2,601	—	—	(103)	6,357
Financing costs	(3)	(777)	—	619	133	3	(25)
Cash flow hedges	1,300	(875)	254	—	—	—	679
Networking costs	2,636	(2,668)	—	—	—	32	—
Allowance for performance incentives	707	193	—	—	—	(19)	881
Goodwill and intangible assets	(4,007)	(2,428)	—	—	(12,153)	11	(18,577)
Convertible debentures	—	115	—	(619)	—	61	(443)
Others	(62)	(111)	—	—	—	—	(173)
Income tax assets (liabilities)	6,019	(13,734)	2,855	—	(5,138)	163	(9,835)

Consolidated Statement of Financial Position presentation

	December 31,	
	2012	2011
	$	$
Deferred tax assets	**41,926**	24,243
Deferred tax liabilities	**44,014**	34,078
	(2,088)	(9,835)

(In thousands of US dollars, except per share amounts and percentages)

13 – TRADE AND OTHER RECEIVABLES

	December 31, 2012	2011
	$	$
Trade receivables	**198,052**	192,723
Current portion of investments and advances to merchant members (Note 14)	**7,998**	6,264
Total trade and other receivables	**206,050**	198,987

14 – INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	December 31, 2012	2011
	$	$
Preferred shares, interest rate at 3.12% (varying between prime rate plus 1% and 12.25% in 2011), receivable in quarterly instalments, redeemable at the option of the holder and retractable by the issuer	**502**	1,345
Shares of companies and advances to merchant members, interest rates varying between 0% and 11.06%, receivable in monthly instalments, maturing on various dates until 2019	**19,807**	19,680
Investments in customers, non-interest bearing	**15,545**	6,896
Total investments and advances to merchant members	**35,854**	27,921
Current portion of the investments and advances to merchant members	**7,998**	6,264
Long term portion of the investments and advances to merchant members	**27,856**	21,657

15 – PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Furniture and equipment	Computer equipment and software	Automotive equipment	Leasehold improvements	Total
	$	$	$	$	$	$	$
Cost	1,386	15,470	33,210	22,609	13,129	8,717	94,521
Accumulated depreciation	(285)	(7,018)	(23,894)	(15,695)	(9,373)	(5,784)	(62,049)
Balance, December 31, 2010	1,101	8,452	9,316	6,914	3,756	2,933	32,472
Depreciation	(12)	(517)	(2,272)	(4,064)	(3,380)	(1,695)	(11,940)
Disposals	(321)	(3,198)	(323)	(11)	(257)	(26)	(4,136)
Acquisitions through business combinations	454	3,970	1,030	3,320	610	1,944	11,328
Additions	—	203	3,841	1,748	9,027	784	15,603
Effects of fluctuations in exchange rates	(7)	(38)	(98)	(22)	(16)	(12)	(193)
Net changes	114	420	2,178	971	5,984	995	10,662
Cost	1,479	16,634	39,425	27,066	22,837	11,078	118,519
Accumulated depreciation	(264)	(7,762)	(27,931)	(19,181)	(13,097)	(7,150)	(75,385)
Balance, December 31, 2011	1,215	8,872	11,494	7,885	9,740	3,928	43,134
Depreciation	(11)	(526)	(2,591)	(3,653)	(4,666)	(1,546)	(12,993)
Disposals	—	(12)	(99)	(4)	(316)	(18)	(449)
Acquisitions through business combinations	60	200	242	94	151	6	753
Additions	1,256	131	3,158	4,654	9,633	1,161	19,993
Write-offs	—	—	—	(87)	—	—	(87)
Effects of fluctuations in exchange rates	19	97	99	32	18	15	280
Net changes	1,324	(110)	809	1,036	4,820	(382)	7,497
Cost	2,819	17,172	42,687	28,286	30,221	12,160	133,345
Accumulated depreciation	(280)	(8,410)	(30,384)	(19,365)	(15,661)	(8,614)	(82,714)
Balance, December 31, 2012	**2,539**	**8,762**	**12,303**	**8,921**	**14,560**	**3,546**	**50,631**

At December 31, 2012, the carrying values of leased assets, which are presented under “Automotive equipment” was $11,049 ($4,381 at December 31, 2011).

(In thousands of US dollars, except per share amounts and percentages)

16 – INTANGIBLE ASSETS AND GOODWILL

				Intangible assets	Goodwill
	Trademarks	Customer relationships and others	Software	Total	
	$	$	$	$	$
Cost	750	6,524	71,656	78,930	94,725
Accumulated amortization	—	(1,378)	(16,371)	(17,749)	—
Balance, December 31, 2010	750	5,146	55,285	61,181	94,725
Amortization	—	(6,613)	(3,613)	(10,226)	—
Additions from internal development (1)	—	—	26,064	26,064	—
Additions	—	35	26	61	—
Acquisitions through business combinations	7,900	70,335	124	78,359	90,679
Capitalized interest (2)	—	—	1,886	1,886	—
Effect of fluctuations in exchange rates	—	(19)	(348)	(367)	(670)
Net changes	7,900	63,738	24,139	95,777	90,009
Cost	8,650	76,867	99,072	184,589	184,734
Accumulated amortization	—	(7,983)	(19,648)	(27,631)	—
Balance, December 31, 2011	8,650	68,884	79,424	156,958	184,734
Amortization	—	(7,100)	(6,933)	(14,033)	—
Additions from internal development (1)	—	—	8,125	8,125	—
Additions	—	72	3,804	3,876	—
Acquisitions through business combinations	—	325	—	325	2,068
Disposals	—	(4)	(9)	(13)	—
Write-offs	—	—	(2,098)	(2,098)	—
Effect of fluctuations in exchange rates	—	26	406	432	884
Net changes	—	(6,681)	3,295	(3,386)	2,952
Cost	8,650	76,692	99,793	185,135	187,686
Accumulated amortization	—	(14,489)	(17,074)	(31,563)	—
Balance, December 31, 2012	**8,650**	**62,203**	**82,719**	**153,572**	**187,686**

(1) At December 31, 2012, software includes the capitalized portion of costs, amounting to $79,926 ($71,801 at December 31, 2011), related to the acquisition and internal development of an ERP which will be fully operational during the next fiscal year. Amortization for the identifiable components of the ERP began when the components were ready to be put into service, beginning in 2010 for the financial modules and 2011 for the operational modules at various locations.

(2) The capitalized interest rate was 4.03% for the year ended December 31, 2011.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's two CGUs, Canada and United States of America, which represent the lowest level within the Corporation at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the Corporation's CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The carrying amounts of the units were determined to be lower than their recoverable amounts and no impairment losses were recognized.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2012 was determined similarly as in 2011. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the five-year business plan in both 2012 and 2011. Cash flows for a further five-year period were extrapolated using constant growth rates of 2.2% (1.5% in 2011) for the Canadian operations and 2.0% (2.5% in 2011) for the American operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 12.0% (12.3% in 2011) for the Canadian operations and 14.2% (13.8% in 2011) for the American operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on past experience and the industry's weighted average cost of capital, which was based on a possible range of debt leveraging of 30% at market interest rates of 5.3% (5.3% in 2011) for the Canadian operations and 5.5% (5.5% in 2011) for the American operations.

(In thousands of US dollars, except per share amounts and percentages)

16 – INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The values assigned to the key assumptions represent Management's assessment of future trends in the automotive parts industry and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each CGU to exceed its recoverable amount.

17 – CREDIT FACILITIES, LONG-TERM DEBT AND CONVERTIBLE DEBENTURES

Credit facilities

The Corporation's credit facility consists of two tranches. The first is a term loan of $200,000, repayable through increasing quarterly instalments and bearing interest at the LIBOR rate in US dollars plus 2.3%. The second tranche is a long-term revolving facility of $250,000, originally put in place on January 6, 2011 for $200,000 and increased to $250,000 on December 5, 2011. The long-term revolving facility is available in Canadian and US dollars and bears interest at variable interest rates plus 2.3%. Both tranches are recorded net of financing costs, and the interest expense is recognized using the effective interest rate method. On January 15, 2013 the term loan was converted into an operating loan under the revolving loan portion of the credit facility. Refer to Note 30 for further details.

At December 31, 2012, amounts drawn on the term loan and revolving facility totalled $181,250 ($194,375 at December 31, 2011) and $116,600 ($155,770 at December 31, 2011), respectively. The Corporation also issued letters of credit under its long-term revolving facility to guarantee the payment of certain liabilities by its subsidiaries. At December 31, 2012, the outstanding letters of credit totalled $13,637 ($11,969 at December 31, 2011). Refer to Note 24 for further details.

Joint ventures

The authorized lines of credit for the Corporation's joint ventures totalled $1,706 ($1,179 in 2011). These lines of credit bear interest at variable rates and are renewable annually on their anniversary dates. At December 31, 2012, the interest rates range from 3.5% to 3.8% (3.5% to 3.75% at December 31, 2011).

Long-term debt

				December 31,	
	Maturity	Nominal interest rate	**Current portion**	**2012**	2011
		%	**$**	**$**	$
Term loan, variable rates, designated as a hedge of net investments in foreign operations [1] –$181,250 ($194,375 in 2011) (Note 30)	2016	1.97%	**15,655**	**179,380**	191,772
Revolving facility, variable rates, designated as a hedge of net investments in foreign operations –$116,600 ($155,770 in 2011)	2016	2.41% to 5.05%	**—**	**119,098**	154,434
Finance leases, variable rates		—	**3,246**	**10,864**	4,188
Secured mortgage, payable in monthly instalments and others	2021	0% to 3.75%	**105**	**533**	2,479
			19,006	**309,875**	352,873
Instalments due within a year				**19,006**	15,554
				290,869	337,319

(1) The interest rates reflect the derivative financial instruments designated as interest rate hedges as described in Note 27.

Convertible debentures

On January 6, 2011, the Corporation issued convertible unsecured subordinated debentures which bear interest at a rate of 5.9% per annum, payable semi-annually on January 31 and July 31 of each year. The debentures are convertible at the option of the holder into common shares of the Corporation at a price of C$41.76 per share, representing a conversion rate of 23.9 common shares per C$1,000 principal amount of convertible debentures. The convertible debentures will mature on January 31, 2016 and may be redeemed by the Corporation, in certain circumstances, after January 31, 2014. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures as a whole and the fair value of the liability component.

(In thousands of US dollars, except per share amounts and percentages)

17 – CREDIT FACILITIES, LONG-TERM DEBT AND CONVERTIBLE DEBENTURES (CONTINUED)

	December 31, 2012	2011
	$	$
Balance, January 1	**47,225**	—
Issuance on January 6	**—**	52,041
Financing and transaction costs	**—**	(2,300)
	47,225	49,741
Recognition of equity component [(1)]	**—**	(2,306)
Accreted interest	**444**	443
Amortization of financing costs	**434**	426
Effects of fluctuations in exchange rates	**996**	(1,079)
Balance, December 31	**49,099**	47,225

(1) Deferred income taxes of $619 were also recorded in the equity component of the convertible debentures.

Principal repayments due on long-term debt and convertible debentures, excluding finance leases amount are presented as follows:

2013	2014	2015	2016	2017	Thereafter
$	$	$	$	$	$
15,760	15,095	20,720	296,392	95	48

The present value of minimum lease payments for finance leases are as follows:

	December 31, 2012
	$
Less than one year	**3,246**
Between one and five years	**7,618**
More than five years	**—**
Total present value of minimum lease payments	**10,864**

18 – MERCHANT MEMBERS' DEPOSITS IN THE GUARANTEE FUND

	December 31, 2012	2011
	$	$
Total merchant members' deposits in the guarantee fund	**7,928**	7,897
Instalments due within one year	**160**	140
Long term portion of the merchant members' deposits in the guarantee fund	**7,768**	7,757

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member's purchase volume, and bear interest at the prime rate less 1%. At December 31, 2012 and 2011, the interest rate in effect was 2%.

(In thousands of US dollars, except per share amounts and percentages)

19 – SHARE CAPITAL

Authorized
The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

- Common shares:
  Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

- Preferred shares:
  The preferred shares are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up in priority to the common shares. There are no outstanding preferred shares.

	December 31,	
	2012	2011
	$	$
Issued and fully paid		
Balance, beginning of period: 21,636,767 common shares (19,707,637 in 2011)	**88,940**	39,099
Issuance of 1,769 common shares on the exercise of stock options (16,180 in 2011) [(1)]	**29**	235
Repurchase of 87,366 common shares (70,800 in 2011) [(2)]	**(406)**	(374)
Issuance of 1,983,750 common shares [(3)]	**—**	49,980
Balance, ending of period: 21,551,170 common shares (21,636,767 in 2011)	**88,563**	88,940

(1) The weighted average price of the exercise of stock options was C$16.25 per share for the year ended December 31, 2012 (C$15.05 for 2011).
(2) During the year 2012, the Corporation repurchased 87,366 common shares (70,800 in 2011) for cash consideration of $2,096 ($1,855 in 2011) including a share repurchase premium of $1,690 ($1,481 in 2011) applied as a reduction of retained earnings.
(3) In 2011, to complete the financing of its FinishMaster acquisition, the Corporation completed an offering of 1,983,750 common shares. The increase of $49,980 represented proceeds of issuance of $49,361 net of transaction costs. Deferred income taxes of $619 were recorded related to the share issuance costs.

Dividends of C$0.52 per common share were declared by the Corporation for the year ended December 31, 2012 (C$0.48 for 2011).

(In thousands of US dollars, except per share amounts and percentages)

20 – STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plan includes an equity-settled common share stock option plan for directors, management employees and officers and a cash-settled deferred share unit plan.

Common share stock option plan for management employees and officers

On May 8, 2012, the Corporation amended and restated its Common share stock option plan for management employees and officers (the "Stock option plan"). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Stock option plan. The options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the amended plan vest over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years. At December 31, 2012, options granted prior to the amendment for the issuance of 60,000 common shares (61,769 at December 31, 2011) were outstanding, and 1,638,231 common shares (90,895 at December 31, 2011) were reserved for additional options under the Stock option plan. No stock options were granted for the years ended December 31, 2012 and 2011.

A summary of the Corporation's Stock option plan for the years ended December 31, 2012 and 2011 is presented as follows:

		2012		2011
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		C$		C$
Outstanding, beginning of year	**61,769**	**30.22**	77,949	27.07
Granted	**—**	**—**	—	—
Exercised	**(1,769)**	**16.25**	(16,180)	15.05
Outstanding, end of year	**60,000**	**30.63**	61,769	30.22
Exercisable, end of year	**57,500**	**30.80**	45,769	30.42

The range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of the Corporation's options are as follows:

					December 31, 2012
	Options outstanding			**Options exercisable**	
Exercisable price	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
C$			**C$**		**C$**
26.70 – 31.42	**60,000**	**5.49**	**30.63**	**57,500**	**30.80**
	60,000	**5.49**	**30.63**	**57,500**	**30.80**

					December 31, 2011
	Options outstanding			Options exercisable	
Exercisable price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C$			C$		C$
16.25	1,769	0.48	16.25	1,769	16.25
26.70 – 31.42	60,000	6.50	30.63	44,000	30.99
	61,769	6.33	30.22	45,769	30.42

Compensation expense of $38 ($77 for 2011) was recorded in the net earnings for the year ended December 31, 2012, with the corresponding amounts recorded in contributed surplus.

(In thousands of US dollars, except per share amounts and percentages)

20 – STOCK-BASED COMPENSATION (CONTINUED)

Deferred share unit plan
On February 28, 2013, the Corporation formally adopted a deferred share unit plan for directors, officers and management employees (the "DSU Plan"). Under the DSU Plan, the directors could (i) be required by the Board of Directors to receive a portion of their remuneration in the form of deferred share units ("DSUs") or (ii) at their discretion, make an election to receive a portion of, or all their remuneration in DSUs, subject to the Board of Directors' approval. The officers and management employees are required to make an election to receive a portion of their annual bonus under the short term incentive plan ("Short Term Bonus") in the form of DSUs if they do not meet the minimum share ownership guidelines ("SOG") adopted by the Board of Directors. If the minimum holding under the SOG is met by an officer or a management employee, an election to receive a portion of their Short Term Bonus in the form of DSUs could be made by such individual.

A DSU is equal in value to one common share of the Corporation. The DSUs are issued on the basis of the average closing price of Corporation's common shares on the TSX for the five trading days preceding the date of issuance ("DSU Value"). Dividend equivalents accrue on outstanding DSUs on the basis of dividends paid on the Corporation's common shares. DSUs are redeemed by the Corporation after the death, retirement or termination of a participant and in the event of a change in control. The participant is then entitled to receive in cash for each DSUs, the DSU Value calculated at the redemption date.

The DSU Plan is effective as of May 8, 2012 for the Directors and as of January 1st, 2013 for the officers and management employees. For the year ended December 31, 2012, 11,456 DSUs were issued under the DSU plan, subject to the formal adoption of the plan by the Board of Directors. Compensation expense of $262 was recorded during the year related to the outstanding DSUs.

21 – POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans. The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on years of service and final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations. The non-registered pension plan is non-funded and the Corporation makes payments under this plan when the amounts become payable to the members.

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plans was $2,509 for the year ended December 31, 2012 ($1,203 for 2011).

Defined benefit pension plans
The Corporation evaluates its defined benefit obligations and the fair value of plan assets for accounting purposes on December 31 each year. An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

Information regarding the status of the obligations and plan assets of the defined benefit plans is as follows:

		2012		2011
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	$	**$**	$	$
Defined benefit obligations				
Balance, beginning of year	**40,153**	**8,500**	30,902	6,839
Current service cost	**2,708**	**433**	2,048	440
Employee contributions	**1,090**	**—**	1,013	—
Interest cost	**1,969**	**401**	1,829	389
Benefits paid	**(1,778)**	**(362)**	(866)	(288)
Actuarial (gains) losses recognized in other comprehensive income	**(117)**	**288**	5,852	1,248
Effects of movements in exchange rates	**856**	**173**	(625)	(128)
Balance, end of year	**44,881**	**9,433**	40,153	8,500

(In thousands of US dollars, except per share amounts and percentages)

21 – POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	2012		2011	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	$	**$**	$	$
Plan assets				
Fair value, beginning of year	**24,063**	—	22,328	—
Expected return on assets	**1,688**	—	1,748	—
Employer contributions	**3,668**	—	2,914	—
Employee contributions	**1,090**	—	1,013	—
Benefits paid	**(1,778)**	—	(866)	—
Actuarial gains (losses) recognized in other comprehensive income	**920**	—	(2,570)	—
Effects of movements in exchange rates	**492**	—	(504)	—
Fair value, end of year	**30,143**	—	24,063	—

	December 31,	
	2012	2011
	%	%
Components of plan assets		
Investments in equity funds	**57.1**	57.3
Investments in fixed income funds	**24.3**	24.9
Investments in other funds	**18.6**	17.8
	100.0	100.0

The net obligation is presented in “Long-term employee benefit obligations” in the Corporation’s Consolidated Statement of Financial Position.

	2012		2011	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	$	**$**	$	$
Fair value of plan assets	**30,143**	**—**	24,063	—
Defined benefit obligations	**(44,881)**	**(9,433)**	(40,153)	(8,500)
Long-term employee benefit obligations	**(14,738)**	**(9,433)**	(16,090)	(8,500)

The expense for defined benefit plans recognized in “employee benefits” in the Consolidated Statement of Earnings is as follows:

	2012		2011	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	$	**$**	$	$
Current service cost	**2,708**	**433**	2,048	440
Interest cost	**1,969**	**401**	1,829	389
Expected return on plan assets	**(1,688)**	—	(1,748)	—
Defined benefit plans expense	**2,989**	**834**	2,129	829

(In thousands of US dollars, except per share amounts and percentages)

21 – POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2012		2011	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	$	**$**	$	$
Balance, beginning of year	**11,834**	**2,237**	3,412	989
Actuarial (gains) losses	**(1,037)**	**288**	8,422	1,248
Balance, end of year	**10,797**	**2,525**	11,834	2,237

The significant actuarial assumptions at the reporting date are as follows (weighted average assumptions as of December 31):

	2012		2011	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
	%	**%**	%	%
Defined benefit obligations				
Discount rate	**4.40**	**4.40**	4.50	4.50
Rate of compensation increase	**3.50**	**3.50**	3.75	3.75
Benefit costs				
Discount rate	**4.50**	**4.50**	5.40	5.40
Expected long-term rate of return on plan assets	**6.50**	—	7.25	—
Rate of compensation increase	**3.75**	**3.75**	3.75	3.75

The expected long-term rate of return on plan assets has been determined on the long-term return expectation stipulated in the Statement of Investment Policy and Procedures for the Pension Plan as well as the target asset mix of each fund manager comprised in the Plan Investment Portfolio.

The actual gain on plan assets was $2,608 for the year ended December 31, 2012 ($822 actuarial loss for 2011).

The net obligation of the Corporation's defined benefit plans may also be summarized as follows (amounts before the date of transition are not shown as the Corporation has applied the IFRS 1 exemption):

			December 31,
	2012	2011	2010
	$	$	$
Defined benefit obligations	**(54,314)**	(48,653)	(37,741)
Fair value of plan assets	**30,143**	24,063	22,328
Deficit	**(24,171)**	(24,590)	(15,413)
Experience losses on plan obligations	**(171)**	(7,304)	(4,438)
Experience gains (losses) on plan assets	**920**	(2,570)	168

For the year ended December 31, 2013, the Corporation expects to make contributions of approximately $5,040 for its defined benefit plans.

(In thousands of US dollars, except per share amounts and percentages)

22 – ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cumulative translation account	Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges	Total
	$	$	$	$
Balance, January 1, 2011	382	7,834	(3,516)	4,700
Other comprehensive income (loss)	5,064	(5,222)	1,687	1,529
Balance, December 31, 2011	5,446	2,612	(1,829)	6,229
Other comprehensive income (loss)	(4,916)	6,888	460	2,432
Balance, December 31, 2012	**530**	**9,500**	**(1,369)**	**8,661**

23 – COMMITMENTS

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2021 for the rental of buildings, vehicles and outsourcing of information technology services. The rent expense recorded in the Consolidated Statement of Earnings was $36,726 for the year ended December 31, 2012 ($33,459 for 2011). The committed minimum lease payments under these agreements are as follows:

	December 31, 2012
	$
Less than 1 year	**41,950**
Between 1 and 5 years	**102,494**
More than five years	**12,993**
Total minimum lease payments	**157,437**

Some of these lease agreements contain renewal options for additional periods of one to five years which the Corporation may exercise by giving prior notice.

24 – GUARANTEES

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates varying from 60% to 80% of the cost of the inventory for a maximum amount of $67,316 at December 31, 2012 ($69,340 at December 31, 2011). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $13,637 at December 31, 2012 ($11,969 at December 31, 2011). These letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases. The letters of credit are not recorded in the Corporation's long-term debt as the related amounts have been recorded directly in the Corporation's Consolidated Statement of Financial Position, if applicable.

(In thousands of US dollars, except per share amounts and percentages)

25 – RELATED PARTIES

For the years ended December 31, 2012 and 2011, common shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel
Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2012 and 2011, the compensation to key management personnel was as follows:

	Year ended December 31,	
	2012	2011
	$	$
Salaries and short-term employee benefits	**2,659**	3,070
Post-employment benefits (including contributions to defined benefit pension plans)	**466**	346
Other long-term benefits	**688**	568
Share-based payments	**281**	—
Total compensation	**4,094**	3,984

There were no other related party transactions with key management personnel for the years ended December 31, 2012 and 2011.

Other transactions
For the year ended December 31, 2012, the Corporation incurred rental expenses of $3,592 ($3,500 for 2011) to the benefit of Clarit Realty Ltd., a company controlled by a related party. The associated lease agreements were concluded in the Corporation's normal course of business for various terms of no more than five years.

Transactions with subsidiaries are eliminated in the Consolidated Financial Statements. The Corporation's significant ownership interests in subsidiaries of 100% at December 31, 2012 and 2011 are as follows:

Beck/Arnley Worldparts, Inc.	Uni-Select Eastern Inc.	Uni-Select Purchases Inc.
FinishMaster, Inc.	Uni-Select Lux Holdco Inc.	Uni-Select Purchases, G.P.
North Shore Parts & Industrial Supplies Ltd.	Uni-Select Luxembourg S.à.r.l.	Uni-Select Québec Inc.
Plastique Royal Inc.	Uni-Select Prairies Inc.	Uni-Select USA Holdings, Inc.
Uni-Select Alberta Inc.	Uni-Select Pacific Inc. (1)	Uni-Select USA Inc.

(1) The ownership interest in the subsidiary, Uni-Select Pacific Inc., was 88.46% at December 31, 2011.

(In thousands of US dollars, except per share amounts and percentages)

26 – CAPITAL MANAGEMENT

Guided by its low-asset-base-high-utilization philosophy, the Corporation's objectives for managing capital are as follows:

- Maintain a total net debt on total net debt plus equity ratio of less than 45%;
- Maintain a long-term debt to equity ratio of less than 125%;
- Provide shareholders with growth in the value of their shares by maintaining a return on total shareholders' equity at least 9% greater than the risk-free interest rate on a long-term basis and paying an annual dividend representing approximately 20% of the net earnings of the previous year;
- Maintain a maximum funded debt on earnings before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on the disposal of property and equipment, and income taxes ratio of 3.5.

In the management of capital, the Corporation includes total shareholders' equity, convertible debentures, long-term debt, and bank indebtedness net of cash.

The Corporation manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably a share repurchase-for-cancellation program pursuant to normal course issuer bids and a flexible credit facility allowing it to react quickly to business opportunities. Also, the Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. In addition, the Corporation has put in place a vendor financing program under which payments to certain supplies are deferred.

The Corporation assesses its capital management on a number of bases, including: total net debt on total net debt plus shareholders' equity, long-term debt on total shareholders' equity ratio, return on total shareholders' equity ratio and funded debt on earnings before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on the disposal of property and equipment, and income taxes ratio.

The indicators used by the Corporation are as follows:

	December 31,	
	2012	2011
Total net debt on total net debt plus total shareholders' equity ratio	**36.7%**	40.7%
Long-term debt to total shareholders' equity ratio	**58.1%**	68.9%
Return on total shareholders' equity ratio	**6.3%**	12.2%
Funded debt on earnings before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on the disposal of property and equipment, and and income taxes ratio	**3.44**	3.48

The interest rate applicable on the credit facility is contingent on the achievement of certain financial ratios such as funded debt on earnings before finance costs, depreciation and amortization restructuring charges, write-off of assets and others, net gain on the disposal of property and equipment, and income taxes, and total net debt on total net debt plus shareholders' equity, which are the same ratios the Corporation is required to comply with. The Corporation was in compliance with these covenants at December 31, 2012.

The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

(In thousands of US dollars, except per share amounts and percentages)

27 – FINANCIAL INSTRUMENTS

The classifications of financial instruments as well as their carrying amounts and fair values are summarized as follows:

	December 31, 2012		December 31, 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets classified as loans and receivables				
Cash	**1,053**	**1,053**	1,671	1,671
Trade receivables	**198,052**	**198,052**	192,723	192,723
	199,105	**199,105**	194,394	194,394
Financial assets classified as available-for-sale				
Investments and advances to merchant members	**35,854**	(1)	27,921	(1)
	35,854	**—**	27,921	—
Financial liabilities carried at amortized cost				
Bank indebtedness	**702**	**702**	497	497
Trade and other payables	**313,698**	**313,698**	298,686	298,686
Dividends payable	**2,815**	**2,815**	2,552	2,552
Long-term debt	**309,875**	**309,875**	352,873	352,873
Convertible debentures (2)	**49,099**	**51,924**	47,225	50,870
Merchant members' deposits in the guarantee fund	**7,928**	(1)	7,897	(1)
	684,117	**—**	709,730	—
Financial liabilities carried at fair value				
Derivative financial instruments	**1,891**	**1,891**	2,505	2,505
	1,891	**1,891**	2,505	2,505

(1) The fair value of investments and advances to merchant members, and merchant members' deposits in the guarantee fund could not be determined given that the shares are not publicly traded. Substantially all advances, customer investments and deposits in the guarantee fund result from transactions with merchant members.

(2) The fair value of the convertible debentures, as set out above, was determined using their bid price at the end of the period.

The fair value of cash, trade receivables, trade and other payables, bank indebtedness and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the actual economic conditions.

Derivative financial instruments used in cash flow hedges

In 2008, the Corporation entered into swap agreements to hedge the variable interest cash flows related to a portion of the revolving credit (Note 17) for a nominal amount of $120,000 for interest cash flows at fixed rates ranging from 3.35% to 3.94%. These contracts mature in a series of three equal portions, with two portions settled in 2011 and 2012, respectively. The remaining balance of swap agreements of $40,000 at December 31, 2012 will mature in 2013.

In 2011, the Corporation entered into additional swap agreements to hedge the variable interest cash flows related to forecast transactions beginning in 2012 on a portion of the Corporation's revolving credit (Note 17) for a nominal amount of $80,000. These interest rate swaps fix the interest cash flows at 0.97% until their maturity in 2016.

(In thousands of US dollars, except per share amounts and percentages)

27 – FINANCIAL INSTRUMENTS (CONTINUED)

The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect the net earnings. The periods in which the related cash flows are expected to occur are as follows:

Nominal amount at inception	Nominal amount at December 31, 2012	Fixed rate					Maturity
			2013	2014	2015	2016	2017
$	$	%	$	$	$	$	$
60,000	20,000	3.94%	20,000	—	—	—	—
30,000	10,000	3.50%	10,000	—	—	—	—
30,000	10,000	3.35%	10,000	—	—	—	—
80,000	80,000	0.97%	—	—	—	80,000	—
200,000	120,000		40,000	—	—	80,000	—

The fair values of the interest rate swaps are calculated using quotes for similar instruments at the reporting date and represent an amount payable by the Corporation of $1,891 at December 31, 2012 ($2,505 at December 31, 2011).

The fair value of derivative financial instruments, as set out above, was determined using level 2 from the fair value hierarchy.

Management of risks arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

(i) Credit risk

Credit risk stems primarily from the potential inability of clients to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash and trade and other receivables and investments and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly and monthly analysis are reviewed to ensure that past due amounts are collectible and, if necessary, that measures are taken to limit credit risk. Over the past few years, no significant amounts have had a negative impact on the Corporation's net earnings with the average bad debt on sales rate at 0.1% for the last three years.

At December 31, 2012, past-due accounts receivable represent $13,363 ($12,439 at December 31, 2011) and an allowance for doubtful accounts of $4,933 ($5,353 at December 31, 2011) is provided.

Allowance for doubtful accounts and past due accounts receivable are reviewed at least quarterly and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain. The variations in the allowance for doubtful accounts are as follows:

		December 31,
	2012	2011
	$	$
Balance, December 31	**5,353**	3,857
Currency translation adjustment	**16**	(13)
Bad-debt expense	**1,435**	232
Write-offs	**(1,993)**	(1,679)
Business combination	**122**	2,956
Balance, December 31	**4,933**	5,353

(ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation manages its liquidity risk on a consolidated basis through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

At December 31, 2012, the Corporation has a renewable credit facility in the amount of $431,250 ($444,375 at December 31, 2011) (Note 17). At December 31, 2012, the Corporation benefits from available amount on its credit facility of approximately $116,000 ($82,000 at December 31, 2011).

(In thousands of US dollars, except per share amounts and percentages)

27 – FINANCIAL INSTRUMENTS (CONTINUED)

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

				December 31, 2012
	Carrying amount	**Maturing under 1 year**	**1 to 3 years**	**Over 3 years**
	$	**$**	**$**	**$**
Non-derivative financial liabilities				
Bank indebtedness	**702**	**727**	—	—
Trade and other payables	**311,694**	**311,694**	—	—
Dividends payable	**2,815**	**2,815**	—	—
Long-term debt	**309,875**	**27,650**	**311,117**	**412**
Convertible debentures	**49,099**	**3,064**	**59,583**	—
Interest payable	**2,004**	**2,004**	—	—
Merchant members' deposits in the guarantee fund	**7,928**	**322**	**158**	**7,924**
	684,117	**348,276**	**370,858**	**8,336**
Derivative financial instruments used for hedging	**1,891**	**497**	**1,394**	—
	686,008	**348,773**	**372,252**	**8,336**

				December 31, 2011
	Carrying amount	Maturing under 1 year	1 to 3 years	Over 3 years
	$	$	$	$
Non-derivative financial liabilities				
Bank indebtedness	497	514	—	—
Trade and other payables	296,353	296,353	—	—
Dividends payable	2,552	2,552	—	—
Long-term debt	352,873	25,872	84,934	291,855
Convertible debentures	47,225	3,000	9,001	52,355
Interest payable	2,333	2,333	—	—
Merchant members' deposits in the guarantee fund	7,897	300	158	7,877
	709,730	330,924	94,093	352,087
Derivative financial instruments used for hedging	2,505	2,283	645	—
	712,235	333,207	94,738	352,087

(iii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly due to purchases in currencies other than the respective functional currencies of the Corporation and its subsidiaries. Management considers that fluctuations in the relative values of the US dollar and the Canadian dollar will not have a material impact on net earnings.

The Corporation has certain investments in foreign operations (United States of America) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments (Note 17).

(iv) Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. At December 31, 2012, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 47%.

A 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would have resulted in a $471 increase or decrease in the Corporation's net earnings for the year ended December 31, 2012, and a $444 increase or decrease in other comprehensive income. These changes are considered to be reasonably possible based on an observation of current market conditions.

(In thousands of US dollars, except per share amounts and percentages)

28 – GEOGRAPHIC INFORMATION

The Corporation assesses its performance using earnings before depreciation and amortization, restructuring charges, write-off of assets and others, net gain on disposal of property and equipment, finance costs, income taxes and non-controlling interest.

The Corporation considers its distribution of replacement parts, equipment, tools, accessories and paint and related products for motor vehicles as a single operating segment.

The Corporation operates in Canada and the United States of America. The primary financial information per geographic location is as follows:

	December 31,	
	2012	2011
	$	$
Sales		
Canada	**520,182**	538,291
United States of America	**1,300,991**	1,242,279
Total sales	**1,821,173**	1,780,570

			December 31, 2012
	Canada	**United States of America**	**Total**
	$	**$**	**$**
Property and equipment	**15,353**	**35,278**	**50,631**
Intangible assets	**19,249**	**134,323**	**153,572**
Goodwill	**42,930**	**144,756**	**187,686**

			December 31, 2011
	Canada	United States of America	Total
	$	$	$
Property and equipment	12,956	30,178	43,134
Intangible assets	20,988	135,970	156,958
Goodwill	40,048	144,686	184,734

29 – CONSOLIDATED STATEMENT OF EARNINGS BY NATURE

	Year ended December 31,	
	2012	2011
	$	$
Sales	**1,821,173**	1,780,570
Operating expenses		
Employee benefits	**316,312**	289,631
Purchases, net of changes in inventories	**1,249,752**	1,236,617
Other expenses	**165,099**	153,228
	1,731,163	1,679,476
Earnings before depreciation and amortization, restructuring charges, write-off of assets and others, net gain on disposal of property and equipment, finance costs and income taxes	**90,010**	101,094
Depreciation and amortization (Note 7)	**27,026**	22,166
Restructuring charges, write-off of assets and others (Note 8)	**18,458**	3,277
Net gain on the disposal of property and equipment	**—**	(1,728)
	45,484	23,715
Operating profit	**44,526**	77,379
Finance costs, net (Note 6)	**18,364**	17,283
Earnings before income taxes	**26,162**	60,096
Income taxes (Note 12)		
Current	**3,678**	(6,961)
Deferred	**(7,466)**	13,734
	(3,788)	6,773
Net earnings	**29,950**	53,323
Attributable to shareholders	**30,041**	53,888
Attributable to non-controlling interests	**(91)**	(565)
	29,950	53,323
Earnings per share (in US dollars) (Note 10)		
Basic	**1.39**	2.49
Diluted	**1.39**	2.47
Weighted average number of common shares outstanding (in thousands) (Note 10)		
Basic	**21,623**	21,646
Diluted	**21,624**	22,871

30 – SUBSEQUENT EVENT

On January 15, 2013, the Corporation amended the terms of its existing credit facility and extended its maturity by one year to January 2017. The term loan for a remaining amount of $177,500 was converted into an operating loan under the revolving loan portion of the credit facility, the total of which was increased from $427,500 to $435,000. The Corporation will also benefit from reduced interest rates under the amended terms of the credit facility which reflect current market conditions. The amended credit facility is available in Canadian or US dollars and can be repaid at any time without penalty. The variable interest rates are based on LIBOR in Canadian or US dollars, bankers' acceptances and prime rates plus the applicable margins.

DIRECTORS AND OFFICERS [(1)]

Board of Directors

Robert Chevrier, FCPA, FCA
Chairman of the Board

James E. Buzzard
Pierre Desjardins
Jean Dulac
Jean Guénette, CPA, CA
John A. Hanna, FCPA, FCGA
Jacques L. Maltais
Hubert Marleau
Richard G. Roy, FCPA, FCA

Corporate Governance Committee

James E. Buzzard
Robert Chevrier*
Pierre Desjardins
John A. Hanna

Human Resources and Compensation Committee

Robert Chevrier
Pierre Desjardins*
Jean Dulac
Jacques L. Maltais

Audit Committee

James E. Buzzard
Robert Chevrier
Jean Guénette*
John A. Hanna
Hubert Marleau

Management Committee

Richard G. Roy, FCPA, FCA**
President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA**
Executive Vice President, Corporate Services and Chief Financial Officer

William E. Alexander**
President and Chief Operating Officer, Automotive USA

Guy Archambault, ing
Vice President, Corporate Development

Robert Buzzard
Vice President, Information Technology

Me Louis Juneau**
Vice President, Legal Affairs and Secretary

Steven Arndt**
President and Chief Operating Officer, FinishMaster Inc.

Annie Hotte**
Vice President, Human Resources

Martin Labrecque, CPA, CMA
Vice President, Finance and Control

Michel Laverdure
Vice President, Corporate Purchasing

Gary O'Connor**
President and Chief Operating Officer, Automotive Canada

Michel Ravacley, ing, MBA**
Senior Vice President, Supply Chain & Integration

Jean Rivard
Vice President, Special Projects

Brent Windom**
Senior Vice President, Sales & Marketing, Automotive USA

(1) As at March 1, 2013

* Chair of Committee
** Member of the Executive Committee

SHAREHOLDER INFORMATION

Head Office

170 Industriel Blvd.
Boucherville, Québec
J4B 2X3
Tel.: 450 641-2440
Fax: 450 449-4908
uniselect.com

Listing

Ticker Symbol:
UNS, Toronto Stock Exchange

Auditors

Raymond Chabot Grant Thornton (LLP)

Legal Counsel

McCarthy Tétrault

Bankers

National Bank of Canada
Royal Bank of Canada
Bank of America
Bank of Montreal
Caisse Centrale Desjardins
JPMorgan Chase Bank
M&T Bank
Laurentian Bank of Canada

Registrar and Transfer Agent

Computershare

Annual Information Form

The Annual Information Form for the year ended December 31, 2012 is available on SEDAR (www.sedar.com) or may be obtained upon written request to the Secretary of the Company.

Annual Meeting of Shareholders

May 1, 2013, at 1:30 p.m.
Omni Hotel
Room Saisons
Montréal, Québec

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